General Assembly **Amendment**

February Session, 2000 LCO No. **5311**

Offered by:
SEN. LOONEY, 11th Dist.

To: Subst. Senate Bill No. **523** File No. **395** Cal. No. **303**

"An Act Facilitating Administration Of Various Tax Laws."

Strike out everything after the enacting clause and substitute the following in lieu thereof:

"Section 1. Subdivision (19) of section 12-412 of the general statutes, as amended by section 16 of public act 99-173, is repealed and the following is substituted in lieu thereof:

(19) Sales of and the storage, use or other consumption of (A) oxygen, blood or blood plasma when sold for medical use in humans or animals; (B) artificial devices individually designed, constructed or altered solely for the use of a particular handicapped person so as to become a brace, support, supplement, correction or substitute for the bodily structure, including the extremities of the individual, and repair or replacement parts and repair services rendered to property described in this subparagraph; (C) artificial limbs, artificial eyes and other equipment worn as a correction or substitute for any functioning portion of the body, custom-made wigs or hairpieces for persons with medically diagnosed total and permanent hair loss as a result of

disease or the treatment of disease, **[**and**]** artificial hearing aids when designed to be worn on the person of the owner or user, closed circuit television equipment used as a reading aid by persons who are visually impaired and repair or replacement parts and repair services rendered to property described in this subparagraph; (D) canes, crutches, walkers, wheel chairs and inclined stairway chairlifts for the use of invalids and handicapped persons, and repair or replacement parts and repair services to property described in this subparagraph; **[**and**]** (E) any equipment used in support of or to supply vital life functions, including oxygen supply equipment used for humans or animals, kidney dialysis machines and any other such device used in necessary support of vital life functions, and apnea monitors, and repair or replacement parts and repair services rendered to property described in this subparagraph; and (F) support hose that is specially designed to aid in the circulation of blood and is purchased by a person who has a medical need for such hose. Repair or replacement parts are exempt whether purchased separately or in conjunction with the item for which they are intended, and whether such parts continue the original function or enhance the functionality of such item. As used in this subdivision, "repair services" means services that are described in subparagraph (Q) or (EE) of subdivision (2)(i) of section 12-407.

Sec. 2. Subdivision (27) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(27) (A) Sales of any items for fifty cents or less from **[**one cent**]** vending machines; or (B) sales of food products, as defined in subsection (23) of this section, sold through coin-operated vending machines.

Sec. 3. Subdivision (47) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(47) Sales of any article of clothing or footwear intended to be worn on or about the human body **[**and**]** the cost of which to the purchaser is less than **[**fifty**]** seventy-five dollars. For purposes of this subdivision

clothing or footwear shall not include (A) any special clothing or footwear primarily designed for athletic activity or protective use **[**and which**]** that is not normally worn except when used for the athletic activity or protective use for which it was designed, and (B) jewelry, handbags, luggage, umbrellas, wallets, watches and similar items carried on or about the human body but not worn on the body in the manner characteristic of clothing intended for exemption under this subdivision.

Sec. 4. Subdivision (55) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(55) Sales of (A) tangible personal property by any funeral establishment performing the primary services in preparation for and the conduct of burial or cremation, provided any such property must be used directly in the performance of such services and the total amount of such exempt sales with respect to any single funeral may not exceed two thousand five hundred dollars, or (B) caskets used for burial.

Sec. 5. Section 12-412 of the general statutes, as amended by sections 16 to 27, inclusive, of public act 99-173 and section 54 of public act 99-241, is amended by adding subdivisions (108) and (109) as follows:

(NEW) (108) Sales of specially formulated gum, inhalants or similar products designed to aid in the cessation of a smoking habit.

(NEW) (109) Sales of equipment to a telecommunications company or community antenna television company, as defined under section 16-1, that is used to provide telecommunications, high-speed data transmission or broad-band Internet services which offer the capability to transmit information at a rate that is not less than two hundred kilobits per second in at least one direction.

Sec. 6. Section 12-412 of the general statutes, as amended by sections 16 to 27, inclusive, of public act 99-173 and section 54 of public act 99-241, is amended by adding subdivisions (108) to (110), inclusive, as

follows:

(NEW) (108) Sales of child car seats.

(NEW) (109) Sales of college textbooks to full and part-time students enrolled at institutions of higher education, provided the student presents a valid student identification card. For purposes of this subdivision, "college textbooks" means new or used books and related workbooks required or recommended for a course at an institution of higher education.

(NEW) (110) On and after July 1, 2000, and prior to July 1, 2002, the sale of any passenger car that has a United States Environmental Protection Agency estimated highway gasoline mileage rating of at least fifty miles per gallon.

Sec. 7. Subdivision (1) of section 12-408 of the general statutes, as amended by section 13 of public act 99-173, is repealed and the following is substituted in lieu thereof:

(1) For the privilege of making any sales, as defined in subdivision (2) of section 12-407, at retail, in this state for a consideration, a tax is hereby imposed on all retailers at the rate of six per cent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail or from the rendering of any services constituting a sale in accordance with subdivision (2) of section 12-407, except, in lieu of said rate of six per cent, (A) at a rate of twelve per cent with respect to each transfer of occupancy, from the total amount of rent received for such occupancy of any room or rooms in a hotel or lodging house for the first period not exceeding thirty consecutive calendar days, (B) with respect to the sale of a motor vehicle to any individual who is a member of the armed forces of the United States and is on full-time active duty in Connecticut and who is considered, under 50 App USC 574, a resident of another state, or to any such individual and the spouse thereof, at a rate of four and one-half per cent of the gross receipts of any retailer from such sales, provided such retailer requires and maintains an affidavit or other evidence, satisfactory to the

commissioner, concerning the purchaser's state of residence under 50 App USC 574, (C) (i) with respect to the sales of computer and data processing services occurring on or after July 1, 1997, and prior to July 1, 1998, at the rate of five per cent, on or after July 1, 1998, and prior to July 1, 1999, at the rate of four per cent, on or after July 1, 1999, and prior to July 1, 2000, at the rate of three per cent, on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per cent, on or after July 1, 2001, and prior to July 1, 2002, at the rate of one per cent and on and after July 1, 2002, such services shall be exempt from such tax, (ii) with respect to sales of Internet access services, on and after July 1, 2001, such services shall be exempt from such tax, (D) with respect to the sales of labor, repair or maintenance services on vessels, as defined in section 15-127, occurring on and after July 1, 1999, such services shall be exempt from such tax, (E) with respect to sales of the renovation and repair services of paving of any sort, painting or staining, wallpapering, roofing, siding and exterior sheet metal work, to other than industrial, commercial or income-producing real property, occurring on or after July 1, 1999, and prior to July 1, 2000, at the rate of four per cent, with respect to such sales occurring on or after July 1, 2000, but prior to July 1, 2001, at the rate of two per cent, and on and after July 1, 2001, sales of such renovation and repair services shall be exempt from such tax, and (F) with respect to patient care services occurring on or after July 1, 1999, at the rate of five and three-fourths per cent. The rate of tax imposed by this chapter shall be applicable to all retail sales upon the effective date of such rate, except that a new rate which represents an increase in the rate applicable to the sale shall not apply to any sales transaction wherein a binding sales contract without an escalator clause has been entered into prior to the effective date of the new rate and delivery is made within ninety days after the effective date of the new rate. For the purposes of payment of the tax imposed under this section, any retailer of services taxable under subdivision (2)(i) of section 12-407, as amended, who computes taxable income, for purposes of taxation under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, on an accounting basis

which recognizes only cash or other valuable consideration actually received as income and who is liable for such tax only due to the rendering of such services may make payments related to such tax for the period during which such income is received, without penalty or interest, without regard to when such service is rendered. Information about the state sales tax rate of other states shall, upon request, be furnished by the commissioner.

Sec. 8. Subsection (a) of section 12-642 of the general statutes is repealed and the following is substituted in lieu thereof:

(a) **[**The**]** (1) With respect to calendar years commencing prior to January 1, 2001, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Not over $25,000	1%
Over $25,000 but not over $50,000	$250, plus 2% of the excess over $25,000
Over $50,000 but not over $75,000	$750, plus 3% of the excess over $50,000
Over $75,000 but not over $100,000	$1,500, plus 4% of the excess over $75,000
Over $100,000 but not over $200,000	$2,500, plus 5% of the excess over $100,000
Over $200,000	$7,500, plus 6% of the excess over $200,000

(2) With respect to the calendar year commencing January 1, 2001, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $25,000	$250, plus 2% of the excess

	but not over $50,000	over $25,000
	Over $50,000	$750, plus 3% of the excess
	but not over $75,000	over $50,000
	Over $75,000	$1,500, plus 4% of the excess
	but not over $100,000	over $75,000
	Over $100,000	$2,500, plus 5% of the excess
	but not over $675,000	over $100,000
	Over $675,000	$31,250, plus 6% of the excess
		over $675,000

(3) With respect to the calendar year commencing January 1, 2002, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $50,000	$750, plus 3% of the excess
but not over $75,000	over $50,000
Over $75,000	$1,500, plus 4% of the excess
but not over $100,000	over $75,000
Over $100,000	$2,500, plus 5% of the excess
but not over $700,000	over $100,000
Over $700,000	$32,500, plus 6% of the excess
	over $700,000

(4) With respect to the calendar year commencing January 1, 2003, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $75,000	$1,500, plus 4% of the excess
but not over $100,000	over $75,000
Over $100,000	$2,500, plus 5% of the excess
but not over $700,000	over $100,000
Over $700,000	$32,500, plus 6% of the excess
	over $700,000

(5) With respect to the calendar year commencing January 1, 2004, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $100,000 but not over $850,000	$2,500, plus 5% of the excess over $100,000
Over $850,000	$40,000, plus 6% of the excess over $850,000

(6) With respect to the calendar year commencing January 1, 2005, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $950,000	$45,000, plus 6% of the excess over $950,000

(7) With respect to the calendar year commencing January 1, 2006, and each calendar year thereafter, the tax imposed by section 12-640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $1,000,000	$47,500, plus 6% of the excess over $1,000,000

Sec. 9. Section 12-263b of the general statutes, as amended by section 32 of public act 99-173, is repealed and the following is substituted in lieu thereof:

There is hereby imposed on the hospital gross earnings of each hospital in this state a tax (1) at the rate of eleven per cent of its hospital gross earnings in each taxable quarter for taxable quarters commencing prior to October 1, 1996; (2) at the rate of nine and one-fourth per cent of its hospital gross earnings in each taxable quarter commencing on or after October 1, 1996, and prior to October 1, 1997; (3) at the rate of eight and one-fourth per cent of its hospital gross earnings in each taxable quarter commencing on or after October 1, 1997, and prior to October 1, 1998; (4) at the rate of seven and one-fourth per cent of its hospital gross earnings in each taxable quarter commencing on or after October 1, 1998, and prior to October 1, 1999; and (5) at the rate of four and one-half per cent of its hospital gross earnings in each taxable quarter commencing on or after October 1, 1999, and prior to April 1, 2000. The hospital gross earnings of each hospital in this state shall not be subject to the provisions of this chapter with respect to calendar quarters commencing on or after April 1, 2000. Each hospital shall, on or before the last day of January, April, July and October of each year, render to the Commissioner of Revenue Services a return, on forms prescribed or furnished by the Commissioner of Revenue Services and signed by one of its principal officers, stating specifically the name and location of such hospital, and the amounts of its hospital gross earnings, its net revenue and its gross revenue for the calendar quarter ending the last day of the preceding month. Payment shall be made with such return.

Sec. 10. Subdivision (2) of subsection (a) of section 12-458 of the general statutes is repealed and the following is substituted in lieu thereof:

(2) On said date and coincident with the filing of such return each distributor shall pay to the commissioner for the account of the purchaser or consumer a tax (A) on each gallon of such fuels sold or used in this state during the preceding calendar month of twenty-six cents on and after January 1, 1992, twenty-eight cents on and after January 1, 1993, twenty-nine cents on and after July 1, 1993, thirty cents on and after January 1, 1994, thirty-one cents on and after July 1, 1994,

thirty-two cents on and after January 1, 1995, thirty-three cents on and after July 1, 1995, thirty-four cents on and after October 1, 1995, thirty-five cents on and after January 1, 1996, thirty-six cents on and after April 1, 1996, thirty-seven cents on and after July 1, 1996, thirty-eight cents on and after October 1, 1996, thirty-nine cents on and after January 1, 1997, thirty-six cents on and after July 1, 1997, **[**and**]** thirty-two cents on and after July 1, 1998, and twenty-five cents on and after July 1, 2000; and (B) in lieu of said taxes, each distributor shall pay a tax on each gallon of gasohol, as defined in section 14-1, sold or used in this state during such preceding calendar month, of twenty-five cents on and after January 1, 1992, twenty-seven cents on and after January 1, 1993, twenty-eight cents on and after July 1, 1993, twenty-nine cents on and after January 1, 1994, thirty cents on and after July 1, 1994, thirty-one cents on and after January 1, 1995, thirty-two cents on and after July 1, 1995, thirty-three cents on and after October 1, 1995, thirty-four cents on and after January 1, 1996, thirty-five cents on and after April 1, 1996, thirty-six cents on and after July 1, 1996, thirty-seven cents on and after October 1, 1996, thirty-eight cents on and after January 1, 1997, thirty-five cents on and after July 1, 1997, **[**and**]** thirty-one cents on and after July 1, 1998, and twenty-four cents on and after July 1, 2000; and (C) in lieu of such rate, on each gallon of diesel fuel, propane or natural gas sold or used in this state on and after September 1, 1991, during such preceding calendar month, of eighteen cents.

Sec. 11. Section 13b-61a of the general statutes is repealed and the following is substituted in lieu thereof:

Notwithstanding the provisions of section 13b-61, for calendar quarters ending on or after September 30, 1998, and prior to September 30, 1999, the Commissioner of Revenue Services shall deposit into the Special Transportation Fund established under section 13b-68, as amended by this act, five million dollars of the amount of funds received by the state from the tax imposed under section 12-587, as amended, on the gross earnings from the sales of petroleum products attributable to sales of motor vehicle fuel, **[**and commencing with the

calendar quarter ending September 30, 1999, and each calendar quarter thereafter**]** for calendar quarters ending September 30, 1999, and prior to September 30, 2000, the commissioner shall deposit into the Special Transportation Fund, nine million dollars of the amount such funds received by the state from the tax imposed under said section 12-587 on the gross earnings from the sales of petroleum products attributable to sales of motor vehicle fuel, and for the calendar quarter ending September 30, 2000, and each calendar quarter thereafter, the commissioner shall deposit into the Special Transportation Fund, eleven million five hundred thousand dollars of the amount such funds received by the state from the tax imposed under said section 12-587, on the gross earnings from the sales of petroleum products attributable to sales of motor vehicle fuel.

Sec. 12. Section 13b-61b of the general statutes is repealed and the following is substituted in lieu thereof:

Notwithstanding the provisions of section 13b-61, the Commissioner of Motor Vehicles shall deposit into the Special Transportation Fund established under section 13b-68, as amended by this act, funds received by the state from the tax imposed under section 12-431, as amended, attributable to motor vehicles under said section 12-431, in accordance with the following schedule: (1) Ten million dollars of the amount received by the state for the fiscal year ending June 30, 2000; **[**(2) twenty million dollars of the amount received by the state for the fiscal year ending June 30, 2001; (3) thirty million dollars of the amount received by the state for the fiscal year ending June 30, 2002; and (4) forty million dollars of the amount received by the state for the fiscal year ending June 30, 2003, and each fiscal year thereafter**]** and (2) for the fiscal year ending June 30, 2001, and each fiscal year thereafter, the total amount of funds received by the state from the tax imposed under section 12-431, as amended, attributable to motor vehicles under said section 12-431. Such funds shall be deposited into the Special Transportation Fund on a monthly basis.

Sec. 13. Section 13b-68 of the general statutes is repealed and the

following is substituted in lieu thereof:

[(a)**]** There is established and created a fund to be known as the "Special Transportation Fund". The fund may contain any moneys required or permitted by law to be deposited in the fund and any moneys recovered by the state for overpayments, improper payments or duplicate payments made by the state relating to any transportation infrastructure improvements which have been financed by special tax obligation bonds issued pursuant to sections 13b-74 to 13b-77, inclusive, and shall be held by the State Treasurer separate and apart from all other moneys, funds and accounts. Investment earnings credited to the assets of said fund shall become part of the assets of said fund. Any balance **[**not exceeding twenty million dollars**]** remaining in said fund at the end of any fiscal year shall be carried forward in said fund for the fiscal year next succeeding.

[(b) After the accounts for the Special Transportation Fund have been closed for each fiscal year and the State Comptroller has determined the balance remaining in said fund, and after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such balance which exceeds twenty million dollars shall be used by the State Treasurer and shall be deemed to be appropriated for: (1) Redeeming prior to maturity any outstanding special tax obligation indebtedness of the state selected by the State Treasurer in the best interests of the state; (2) purchasing outstanding special tax obligation indebtedness of the state in the open market at such prices and on such terms and conditions as the State Treasurer shall determine to be in the best interests of the state for the purpose of extinguishing or defeasing such debt; (3) providing for the defeasance of any outstanding special tax obligation indebtedness of the state selected by the State Treasurer in the best interests of the state by irrevocably placing with an escrow agent in trust an amount to be used solely for, and sufficient to satisfy, scheduled payments of both interest and principal on such indebtedness; (4) paying or providing for the payment in the fiscal year ending June 30, 1999, or any fiscal year thereafter of debt service requirements, as defined in section 13b-

75, at such time or times, in such amount or amounts and in such manner, as provided by the proceedings authorizing the issuance of special tax obligation bonds pursuant to sections 13b-74 to 13b-77, inclusive; or (5) any combination of these methods.**]**

Sec. 14. Subdivision (1) of subsection (c) of section 14-332a of the general statutes is repealed and the following is substituted in lieu thereof:

(1) During the period commencing on July 1, 1998, and ending on October 1, 1998, upon the reduction in the tax required by section 12-458, as amended by this act, that is effective July 1, 1998, and during the period commencing on July 1, 2000, and ending November 1, 2000, upon the reduction in the tax required by said section 12-458, that is effective July 1, 2000, each retail dealer shall, in accordance with subdivision (2) of this subsection, reduce the per-gallon price of gasoline or other product intended for use in the propelling of motor vehicles using combustion type engines sold by such retail dealer at retail in an amount equal to the amount of the reduction in such tax that is imposed on each gallon of such gasoline or other product. Such retail dealer shall maintain any such price reduction in effect for a period of not less than **[**ninety**]** one hundred twenty days after such tax reduction.

Sec. 15. (NEW) From the third Sunday in August until the Saturday next succeeding, inclusive, the provisions of chapter 219 of the general statutes shall not apply to sales of any article of clothing or footwear intended to be worn on or about the human body the cost of which article to the purchaser is less than three hundred dollars. For purposes of this section, clothing or footwear shall not include (A) any special clothing or footwear primarily designed for athletic activity or protective use and which is not normally worn except when used for the athletic activity or protective use for which it was designed, and (B) jewelry, handbags, luggage, umbrellas, wallets, watches and similar items carried on or about the human body but not worn on the body in the manner characteristic of clothing intended for exemption under

this subdivision.

Sec. 16. Section 12-541 of the general statutes, as amended by section 16 of public act 99-121, section 52 of public act 99-173, section 57 of public act 99-241 and section 27 of public act 99-1 of the June special session, is repealed and the following is substituted in lieu thereof:

(a) There is hereby imposed a tax of ten per cent of the admission charge to any place of amusement, entertainment or recreation, except that no tax shall be imposed with respect to any admission charge (1) when the admission charge is less than one dollar or, in the case of any motion picture show, when the admission charge is not more than five dollars, (2) when a daily admission charge is imposed which entitles the patron to participate in an athletic or sporting activity, (3) to any event, other than events held at the sportsplex, as defined in section 32-651, all of the proceeds from which inure exclusively to an entity which is exempt from federal income tax under the Internal Revenue Code, provided such entity actively engages in and assumes the financial risk associated with the presentation of such event, (4) to any event, other than events held at the sportsplex, as defined in section 32-651, which in the opinion of the commissioner, is conducted primarily to raise funds for an entity which is exempt from federal income tax under the Internal Revenue Code, provided the commissioner is satisfied that the net profit which inures to such entity from such event will exceed the amount of the admissions tax which, but for this subdivision, would be imposed upon the person making such charge to such event, (5) to (A) any event at the Hartford Civic Center, the New Haven Coliseum, New Britain Beehive Stadium, New Britain Stadium, effective for events occurring on or after the date such stadium was placed in service, New Britain Veterans Memorial Stadium, Bridgeport Harbor Yard Stadium, Stafford Motor Speedway, Lime Rock Park, Thompson Speedway and Waterford Speedbowl, facilities owned or managed by the Tennis Foundation of Connecticut or any successor organization, **[**or**]** the William A. O'Neill Convocation Center or the Connecticut Exposition Center, and (B) games of the New Britain Rock Cats, New Haven Ravens or the Waterbury Spirit,

(6) other than for events held at the sportsplex, as defined in section 32-651, paid by centers of service for elderly persons, as described in subdivision (d) of section 17b-425, (7) to any production featuring live performances by actors or musicians presented at Gateway's Candlewood Playhouse, Ocean Beach Park or any nonprofit theater or playhouse in the state, provided such theater or playhouse possesses evidence confirming exemption from federal tax under Section 501 of the Internal Revenue Code, **[**or**]** (8) to any carnival or amusement ride, or (9) if the admission charge would have been subject to tax under the provisions of section 12-542 of the general statutes, revision of 1958, revised to January 1, 1999. On and after July 1, 2000, the tax imposed under this section on any motion picture show shall be eight per cent of the admission charge and, on and after July 1, 2001, the tax imposed on any such motion picture show shall be six per cent of such charge.

(b) The tax shall be imposed upon the person making such charge and reimbursement for the tax shall be collected by such person from the purchase. Such reimbursement, termed "tax", shall be paid by the purchaser to the person making the admission charge. Such tax, when added to the admission charge, shall be a debt from the purchaser to the person making the admission charge and shall be recoverable at law. The amount of tax reimbursement, when so collected, shall be deemed to be a special fund in trust for the state of Connecticut.

Sec. 17. Subdivisions (8) and (9) of section 12-407 of the general statutes are repealed and the following is substituted in lieu thereof:

(8) (A) "Sales price" means the total amount for which tangible personal property is sold by a retailer, the total amount of rent for which occupancy of a room is transferred by an operator, the total amount for which any service described in subsection (2) of this section, as amended, is rendered by a retailer or the total amount of payment or periodic payments for which tangible personal property is leased by a retailer, valued in money, whether paid in money or otherwise, which amount is due and owing to the retailer or operator and, subject to the provisions of subsection (1) of section 12-408,

whether or not actually received by the retailer or operator, without any deduction on account of any of the following: (i) The cost of the property sold; (ii) the cost of materials used, labor or service cost, interest charged, losses or any other expenses; (iii) for any sale occurring on or after July 1, 1993, any charges by the retailer to the purchaser for shipping or delivery, notwithstanding whether such charges are separately stated in a written contract, or on a bill or invoice rendered to such purchaser or whether such shipping or delivery is provided by the retailer or a third party. The provisions of subparagraph (A) (iii) shall not apply to any item exempt from taxation pursuant to section 12-412, as amended. Such total amount includes any services that are a part of the sale; except as otherwise provided in subparagraph (B)(v) or (B)(vi) of this subsection, any amount for which credit is given to the purchaser by the retailer, and all compensation and all employment-related expenses, whether or not separately stated, paid to or on behalf of employees of a retailer of any service described in subsection (2) of this section. (B) "Sales price" does not include any of the following: (i) Cash discounts allowed and taken on sales; (ii) any portion of the amount charged for property returned by purchasers, which upon rescission of the contract of sale is refunded either in cash or credit, provided the property is returned within ninety days from the date of purchase; (iii) the amount of any tax, not including any manufacturers' or importers' excise tax, imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the purchaser; (iv) the amount charged for labor rendered in installing or applying the property sold, provided such charge is separately stated and exclusive of such charge for any service rendered within the purview of subparagraph (I) of subdivision (i) of subsection (2) of this section; (v) unless the provisions of subsection (4) of section 12-430 or of section 12-430a are applicable, any amount for which credit is given to the purchaser by the retailer, provided such credit is given solely for property of the same kind accepted in part payment by the retailer and intended by the retailer to be resold; (vi) the full face value of any coupon used by a purchaser to reduce the price paid to a retailer for an item of tangible

personal property, whether or not the retailer will be reimbursed for such coupon, in whole or in part, by the manufacturer of the item of tangible personal property or by a third party; (vii) the amount charged for separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of employees of a retailer who has contracted to manage a service recipient's property or business premises and renders management services described in subdivision (i) of subsection (2) of this section, as amended, provided, the employees perform such services solely for the service recipient at its property or business premises and "sales price" shall include the separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of any employee of the retailer who is an officer, director or owner of more than five per cent of the outstanding capital stock of the retailer. Determination whether an employee performs services solely for a service recipient at its property or business premises for purposes of this subdivision shall be made by reference to such employee's activities during the time period beginning on the later of the commencement of the management contract, the date of the employee's first employment by the retailer or the date which is six months immediately preceding the date of such determination; (viii) the amount charged for separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of (I) a leased employee, or (II) a worksite employee by a professional employer organization pursuant to a professional employer agreement. For purposes of this subparagraph, an employee shall be treated as a leased employee if the employee is provided to the client at the commencement of an agreement with an employee leasing organization under which at least seventy-five per cent of the employees provided to the client at the commencement of such initial agreement qualify as leased employees pursuant to Section 414(n) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, or the employee is added to the client's workforce by the employee leasing organization subsequent to the commencement of

such initial agreement and qualifies as a leased employee pursuant to Section 414(n) of said Internal Revenue Code of 1986 without regard to subparagraph (B) of paragraph (2) thereof. A leased employee, or a worksite employee subject to a professional employer agreement, shall not include any employee who is hired by a temporary help service and assigned to support or supplement the workforce of a temporary help service's client; and (ix) any amount received by a retailer from a purchaser as the battery deposit that is required to be paid under subsection (a) of section 22a-245h; the refund value of a beverage container that is required to be paid under subsection (a) of section 22a-244; or a deposit that is required by law to be paid by the purchaser to the retailer and that is required by law to be refunded to the purchaser by the retailer when the same or similar tangible personal property is delivered as required by law to the retailer by the purchaser, if such amount is separately stated on the bill or invoice rendered by the retailer to the purchaser.

(9) (A) "Gross receipts" means the total amount of the sales price from retail sales of tangible personal property by a retailer, the total amount of the rent from transfers of occupancy of rooms by an operator, the total amount of the sales price from retail sales of any service described in subsection (2) of this section, as amended, by a retailer of services, or the total amount of payment or periodic payments from leases or rentals of tangible personal property by a retailer, valued in money, whether received in money or otherwise, which amount is due and owing to the retailer or operator and, subject to the provisions of subsection (1) of section 12-408, as amended, whether or not actually received by the retailer or operator, without any deduction on account of any of the following: (i) The cost of the property sold; however, in accordance with such regulations as the Commissioner of Revenue Services may prescribe, a deduction may be taken if the retailer has purchased property for some other purpose than resale, has reimbursed his vendor for tax which the vendor is required to pay to the state or has paid the use tax with respect to the property, and has resold the property prior to making any use of the

property other than retention, demonstration or display while holding it for sale in the regular course of business. If such a deduction is taken by the retailer, no refund or credit will be allowed to his vendor with respect to the sale of the property; (ii) the cost of the materials used, labor or service cost, interest paid, losses or any other expense; (iii) for any sale occurring on or after July 1, 1993, except for any item exempt from taxation pursuant to section 12-412, as amended, any charges by the retailer to the purchaser for shipping or delivery, notwithstanding whether such charges are separately stated in the written contract, or on a bill or invoice rendered to such purchaser or whether such shipping or delivery is provided by the retailer or a third party. The total amount of the sales price includes any services that are a part of the sale; all receipts, cash, credits and property of any kind; except as otherwise provided in subparagraph (B)(v) or (B)(vi) of this subsection, any amount for which credit is allowed by the retailer to the purchaser; and all compensation and all employment-related expenses, whether or not separately stated, paid to or on behalf of employees of a retailer of any service described in subsection (2) of this section. (B) "Gross receipts" do not include any of the following: (i) Cash discounts allowed and taken on sales; (ii) any portion of the sales price of property returned by purchasers, which upon rescission of the contract of sale is refunded either in cash or credit, provided the property is returned within ninety days from the date of sale; (iii) the amount of any tax, not including any manufacturers' or importers' excise tax, imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the purchaser; (iv) the amount charged for labor rendered in installing or applying the property sold, provided such charge is separately stated and exclusive of such charge for any service rendered within the purview of subparagraph (I) of subdivision (i) of subsection (2) of this section; (v) unless the provisions of subsection (4) of section 12-430 or of section 12-430a are applicable, any amount for which credit is given to the purchaser by the retailer, provided such credit is given solely for property of the same kind accepted in part payment by the retailer and intended by the retailer to be resold; (vi) the full face value of any coupon used by a

purchaser to reduce the price paid to the retailer for an item of tangible personal property, whether or not the retailer will be reimbursed for such coupon, in whole or in part, by the manufacturer of the item of tangible personal property or by a third party; (vii) the amount charged for separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of employees of a retailer who has contracted to manage a service recipient's property or business premises and renders management services described in subdivision (i) of subsection (2) of this section, provided the employees perform such services solely for the service recipient at its property or business premises and "gross receipts" shall include the separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of any employee of the retailer who is an officer, director or owner of more than five per cent of the outstanding capital stock of the retailer. Determination whether an employee performs services solely for a service recipient at its property or business premises for purposes of this subdivision shall be made by reference to such employee's activities during the time period beginning on the later of the commencement of the management contract, the date of the employee's first employment by the retailer or the date which is six months immediately preceding the date of such determination; (viii) the amount charged for separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of (I) a leased employee, or (II) a worksite employee by a professional employer organization pursuant to a professional employer agreement. For purposes of this subparagraph, an employee shall be treated as a leased employee if the employee is provided to the client at the commencement of an agreement with an employee leasing organization under which at least seventy-five per cent of the employees provided to the client at the commencement of such initial agreement qualify as leased employees pursuant to Section 414(n) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, or the employee is added to the client's workforce by the

employee leasing organization subsequent to the commencement of such initial agreement and qualifies as a leased employee pursuant to Section 414(n) of said Internal Revenue Code of 1986 without regard to subparagraph (B) of paragraph (2) thereof. A leased employee, or a worksite employee subject to a professional employer agreement, shall not include any employee who is hired by a temporary help service and assigned to support or supplement the workforce of a temporary help service's client; and (ix) the amount received by a retailer from a purchaser as the battery deposit that is required to be paid under subsection (a) of section 22a-256h; the refund value of a beverage container that is required to be paid under subsection (a) of section 22a-244 or a deposit that is required by law to be paid by the purchaser to the retailer and that is required by law to be refunded to the purchaser by the retailer when the same or similar tangible personal property is delivered as required by law to the retailer by the purchaser, if such amount is separately stated on the bill or invoice rendered by the retailer to the purchaser.

Sec. 18. Section 12-407 of the general statutes, as amended by sections 10 to 12, inclusive, of public act 99-173 and section 10 of public act 99-285, is amended by adding subdivisions (31) to (33), inclusive, as follows:

(NEW) (31) "Professional employer agreement" means a written contract between a professional employer organization and a service recipient whereby the professional employer organization agrees to provide at least seventy-five per cent of the employees at the service recipient's worksite, which contract provides that such worksite employees are intended to be permanent employees rather than temporary employees, and employer responsibilities for such worksite employees, including hiring, firing and disciplining, are allocated between the professional employer organization and the service recipient.

(NEW) (32) "Professional employer organization" means any person that enters into a professional employer agreement with a service

recipient whereby the professional employer organization agrees to provide at least seventy-five per cent of the employees at the service recipient's worksite.

(NEW) (33) "Worksite employee" means an employee, the employer responsibilities for which, including hiring, firing and disciplining, are allocated, under a professional employer agreement, between a professional employer organization and a service recipient.

Sec. 19. (NEW) (a) For income years commencing on or after January 1, 2000, there shall be allowed as a credit against the tax imposed by section 12-202a of the general statutes an amount as calculated pursuant to subsection (b) of this section.

(b) The amount of credit allowed in any income year shall be equal to fifty-five dollars multiplied by the sum of the number of persons provided health care coverage by the taxpayer under the HUSKY Medicaid Plan Part A, HUSKY Part B, or the HUSKY Plus programs, each as defined in section 17b-290 of the general statutes, as amended, on the first day of each month of the income year for which the credit is taken, divided by twelve.

(c) The credit allowed under this section shall not be taken into account for purposes of the instalment payments due under section 12-204c of the general statutes but shall be taken into account in the annual return required under section 12-205 of the general statutes.

(d) The amount of credit allowed any taxpayer under this section for any income year may not exceed the amount of tax due from such taxpayer under section 12-202a of the general statutes with respect to such income year.

Sec. 20. (NEW) (a) The Commissioner of Revenue Services shall grant a credit against any tax due under the provisions of chapter 207, 208, 209, 210, 211 or 212 of the general statutes, for the donation to a local or regional board of education or a public school of new computers or used computers that are not more than two years old at

the time of the donation in accordance with this section. The amount of the credit shall not exceed fifty per cent of the fair market value of the new or used computer at the time of donation as described in this section.

(b) Any business firm may apply to the Commissioner of Revenue Services for a tax credit under this section. The commissioner, in consultation with the Commissioner of Education, shall develop an application form for such credit which shall contain, but not be limited to, the following information: (1) The number of computers to be donated, (2) to whom the donation will be made, (3) when the donation will be made, (4) the fair market value of the donated computers at the time of donation, and (5) such additional information as the commissioner may prescribe. A copy of a written agreement between the business firm and the local or regional board of education or public school shall be submitted with the application. The agreement shall provide for the acceptance of the computers by the board of education or public school, an acknowledgement that the computers are in good working condition and a requirement for the business firm to install, set up and provide training to school staff on such computers.

(c) Such applications may be submitted to the Commissioner of Revenue Services on an ongoing basis. The commissioner shall review each application and shall, not later than thirty days following its receipt, approve or disapprove the application. The decision of the commissioner to approve or disapprove an application pursuant to the provisions of this section shall be in writing and, if the commissioner approves the proposal, the commissioner shall state the maximum credit allowable to the business firm. A copy of the decision shall be attached to the tax return of the business firm upon which the tax credit granted pursuant to this section is claimed.

(d) (1) The amount of the credit granted to any business firm under the provisions of this section shall not exceed seventy-five thousand dollars annually. The total amount of all tax credits allowed to all

business firms pursuant to the provisions of this section shall not exceed one million dollars in any one fiscal year. (2) The credit may only be used to reduce the taxpayer's tax liability for the year in which the donation is made and shall not be used to reduce such liability to less than zero.

Sec. 21. (NEW) (a) The Commissioner of Higher Education may select a direct pay permit holder, as described in section 12-409a of the general statutes, for a pilot program in accordance with the provisions of this section.

(b) There shall be allowed a credit to such direct pay permit holder in an amount equal to the amount of a qualified investment, as defined in subsection (c) of this section, that is made on or after July 1, 2000, against the use tax liability that is incurred under chapter 219 of the general statutes by such holder in making purchases on or after July 1, 2000, of computer equipment to be used in this state in electronic commerce. The total amount of such credits allowed under this section shall not exceed two million dollars in the aggregate. No credit shall be allowed under this section unless the Commissioner of Higher Education certifies, in a manner satisfactory to the Commissioner of Revenue Services, that a qualified investment has been made by the direct pay permit holder and that projects related to such investment have been completed. The Commissioner of Revenue Services may adopt regulations, in accordance with the provisions of chapter 54 of the general statutes, which prescribe the procedures for the direct pay permit holder to claim the credit allowed under this section.

(c) For purposes of this section, "qualified investment" means resources, including, but not limited to, cash, property or services provided by a direct pay permit holder to a public or private college or university in this state, for the design, planning, construction or renovation of buildings or classrooms, the acquisition of computer equipment or the acquisition of other property or licenses necessary for operation of computer programs which will be used in the instruction of students in business studies related to electronic

commerce or in work force development programs.

Sec. 22. Subsection (a) of section 12-314 of the general statutes, as amended by section 6 of public act 99-109, is repealed and the following is substituted in lieu thereof:

(a) The sale of **[**single cigarettes or**]** cigarettes other than in an unopened package containing twenty or more cigarettes originating with the manufacturer which bears the health warning required by law is prohibited.

Sec. 23. Section 8-395 of the general statutes, as amended by section 33 of public act 99-173, is repealed and the following is substituted in lieu thereof:

(a) As used in this section, (1) "business firm" means any business entity authorized to do business in the state and subject to the corporation business tax imposed under chapter 208, or any company subject to a tax imposed under chapter 207, or any air carrier subject to the air carriers tax imposed under chapter 209, or any railroad company subject to the railroad companies tax imposed under chapter 210, or any regulated telecommunications service, express, telegraph, cable, or community antenna television company subject to the regulated telecommunications service, express, telegraph, cable, and community antenna television companies tax imposed under chapter 211, or any utility company subject to the utility companies tax imposed under chapter 212, and (2) "nonprofit corporation" means a nonprofit corporation incorporated pursuant to chapter 602 or any predecessor statutes thereto, having as one of its purposes the construction, rehabilitation, ownership or operation of housing and having articles of incorporation approved by the executive director of the Connecticut Housing Finance Authority in accordance with regulations adopted pursuant to section 8-79a or 8-84.

(b) The Commissioner of Revenue Services shall grant a credit against any tax due under the provisions of chapter 207, 208, 209, 210, 211 or 212 in an amount equal to the amount specified by the

Connecticut Housing Finance Authority in any tax credit voucher issued by said authority pursuant to subsection (c) of this section.

(c) The Connecticut Housing Finance Authority shall administer a system of tax credit vouchers within the resources, requirements and purposes of this section, for business firms making cash contributions to housing programs developed, sponsored or managed by a nonprofit corporation, as defined in subsection **[**(w) of section 8-39**]** (a) of this section, which benefit low and moderate income persons or families which have been approved prior to the date of any such cash contribution by the authority. Such vouchers may be used as a credit against any of the taxes to which such business firm is subject and which are enumerated in subsection (b) of this section. For income years commencing on or after January 1, 1998, to be eligible for approval a housing program shall be scheduled for completion not more than three years from the date of approval. Each program shall submit to the authority quarterly progress reports and a final report upon completion, in a manner and form prescribed by the authority. If a program fails to be completed after three years, or at any time the authority determines that a program is unlikely to be completed, the authority may reclaim any remaining funds contributed by business firms and reallocate such funds to another eligible program.

(d) No business firm shall receive a credit pursuant to both this section and chapter 228a in relation to the same cash contribution.

(e) Nothing in this section shall be construed to prevent two or more business firms from participating jointly in one or more programs under the provisions of this section. Such joint programs shall be submitted, and acted upon, as a single program by the business firms involved.

[(f) The sum of all tax credit granted pursuant to the provisions of this section shall not exceed seventy-five thousand dollars annually per business firm and no**]**

(f) No tax credit shall be granted to any business firm for any

individual amount contributed of less than two hundred fifty dollars.

[(g) No tax credit shall be granted to any bank, bank and trust company, insurance company, trust company, national bank, savings association, or building and loan association or any other business entity for activities that are a part of its normal course of business.**]**

[(h)**]** (g) Any tax credit not used in the period during which the cash contribution was made may be carried forward or backward for the five immediately succeeding or preceding income years until the full credit has been allowed.

[(i)**]** (h) In no event shall the total amount of all tax credits allowed to all business firms pursuant to the provisions of this section exceed five million dollars in any one fiscal year.

[(j) No tax credit shall be granted to any business firm unless such firm furnishes proof to the Commissioner of Revenue Services that the amount of funds expended for contributions for the support of housing programs by such business firm is not less in the year for which such credit is sought than the amount expended in the year immediately preceding the year for which such credit is sought.**]**

[(k)**]** (i) No organization conducting a housing program or programs eligible for funding with respect to which tax credits may be allowed under this section shall be allowed to receive an aggregate amount of such funding for any such program or programs in excess of four hundred thousand dollars for any fiscal year.

[(l)**]** (j) Nothing in this section shall be construed to prevent a business firm from making any cash contribution to a housing program to which tax credits may be applied which cash contribution may result in the business firm having a limited equity interest in the program.

[(m)**]** (k) The Connecticut Housing Finance Authority, with the approval of the Commissioner of Revenue Services, shall adopt written

procedures in accordance with section 1-121 to implement the provisions of this section. Such procedures shall include provisions for issuing tax credit vouchers for cash contributions to housing programs based on a system of ranking housing programs. In establishing such ranking system, the authority shall consider the following: (1) The readiness of the project to be built; (2) use of the funds to build or rehabilitate a specific housing project or to capitalize a revolving loan fund providing low-cost loans for housing construction, repair or rehabilitation to benefit persons of very low, low and moderate income; (3) the extent the project will benefit families at or below twenty-five per cent of the area median income and families with incomes between twenty-five per cent and fifty per cent of the area median income, as defined by the United States Department of Housing and Urban Development; (4) evidence of the general administrative capability of the nonprofit corporation to build or rehabilitate housing; (5) evidence that any funds received by the nonprofit corporation for which a voucher was issued were used to accomplish the goals set forth in the application; and (6) with respect to any income year commencing on or after January 1, 1998: **[**; (6) use**]** (A) Use of the funds to provide housing opportunities in urban areas and the impact of such funds on neighborhood revitalization; and **[(**7)**]** (B) the extent to which tax credit funds are leveraged by other funds.

[(n)**]** (l) Vouchers issued or reserved by the Department of Housing under the provisions of this section prior to July 1, 1995, shall be valid on and after July 1, 1995, to the same extent as they would be valid under the provisions of this section in effect on June 30, 1995.

[(o) On or before October 1, 1995, the authority shall adopt written procedures, in accordance with section 1-121, to implement the provisions of this section.**]**

[(p)**]** (m) The credit which is sought by the business firm shall first be claimed on the tax return for such business firm's income year during which the cash contribution to which the tax credit voucher relates was paid.

Sec. 24. Subsection (c) of section 12-217 of the general statutes, as amended by section 1 of public act 99-83, is repealed and the following is substituted in lieu thereof:

(c) (1) Notwithstanding the provisions of subsections (a) and (b) of this section, "net income", in the case of an S corporation, means the percentage of the nonseparately computed income or loss, as defined in Section 1366(a)(2) of the Internal Revenue Code, of such S corporation, without separate state adjustment pursuant to section 12-233 or 12-226a for the compensation of any officer or employee, to which shall be added (A) any taxes imposed under the provisions of this chapter which are paid or accrued in the income year and (B) any taxes in any state of the United States or any political subdivision of such state, or the District of Columbia, imposed on or measured by the income or profits of a corporation which are paid or accrued in the income year as provided in subdivision (2) of this subsection.

(2) For income years commencing prior to January 1, 1997, "net income" means one hundred per cent of the amount computed under subdivision (1) of this subsection; for income years commencing on or after January 1, 1997, and prior to January 1, 1998, "net income" means ninety per cent of the amount computed under subdivision (1) of this subsection; for income years commencing on or after January 1, 1998, and prior to January 1, 1999, "net income" means seventy-five per cent of the amount computed under subdivision (1) of this subsection; for income years commencing on or after January 1, 1999, and prior to January 1, 2000, "net income" means fifty-five per cent of the amount computed under subdivision (1) of this subsection; for income years commencing on or after January 1, 2000, and prior to January 1, 2001, "net income" means thirty per cent of the amount computed under subdivision (1) of this subsection; for income years commencing on or after January 1, 2001, net income of S corporations as computed under subdivision (1) of this subsection shall not be subject to the tax under this chapter. Any S corporation subject to the tax on net income as provided in this section shall be eligible for any credit against the tax otherwise available to taxpayers under this chapter only to the extent

and in the same percentage as net income of such S corporation is subject to taxation under this chapter, except that any S corporation with an income year commencing on or after January 1, 1999, but before December 31, 2000, shall be eligible for the entire credit available under sections 8-395, as amended by this act, 12-633, 12-634, 12-635 and 12-635a.

Sec. 25. Section 12-218 of the general statutes, as amended by section 4 of public act 99-121, is repealed and the following is substituted in lieu thereof:

(a) Any taxpayer which is taxable both within and without this state shall apportion its net income as provided in this section. For purposes of apportionment of income under this section, a taxpayer is taxable in another state if in such state such taxpayer conducts business and is subject to a net income tax, a franchise tax for the privilege of doing business, or a corporate stock tax, or if such state has jurisdiction to subject such taxpayer to such a tax, regardless of whether such state does, in fact, impose such a tax.

(b) The net income of the taxpayer, when derived from business other than the manufacture, sale or use of tangible personal or real property, shall be apportioned within and without the state by means of an apportionment fraction, the numerator of which shall represent the gross receipts from business carried on within Connecticut and the denominator shall represent the gross receipts from business carried on everywhere, except that any gross receipts attributable to an international banking facility, as defined in section 12-217, shall not be included in the numerator or the denominator. Gross receipts as used in this subsection shall have the same meaning as used in subdivision (3) of subsection (c) of this section.

(c) **[**The**]** Except as otherwise provided in subsection (k) or (l) of this section, the net income of the taxpayer when derived from the manufacture, sale or use of tangible personal or real property, shall be apportioned within and without the state by means of an

apportionment fraction, to be computed as the sum of the property factor, the payroll factor and twice the receipts factor, divided by four. (1) The first of these fractions, the property factor, shall represent that part of the average monthly net book value of the total tangible property held and owned by the taxpayer during the income year which is held within the state, without deduction on account of any encumbrance thereon, and the value of tangible property rented to the taxpayer computed by multiplying the gross rents payable during the income year or period by eight. For the purpose of this section, gross rents shall be the actual sum of money or other consideration payable, directly or indirectly, by the taxpayer or for its benefit for the use or possession of the property, excluding royalties, but including interest, taxes, insurance, repairs or any other amount required to be paid by the terms of a lease or other arrangement and a proportionate part of the cost of any improvement to the real property made by or on behalf of the taxpayer which reverts to the owner or lessor upon termination of a lease or other arrangement, based on the unexpired term of the lease commencing with the date the improvement is completed, provided, where a building is erected on leased land by or on behalf of the taxpayer, the value of the land is determined by multiplying the gross rent by eight, and the value of the building is determined in the same manner as if owned by the taxpayer. (2) The second fraction, the payroll factor, shall represent the part of the total wages, salaries and other compensation to employees paid by the taxpayer during the income year which was paid in this state, excluding any such wages, salaries or other compensation attributable to the production of gross income of an international banking facility as defined in section 12-217. Compensation is paid in this state if (A) the individual's service is performed entirely within the state; or (B) the individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or (C) some of the service is performed in the state and (i) the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in the state, or (ii) the base of operations or the place from which the service is

directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state. (3) The third fraction, the receipts factor, shall represent the part of the taxpayer's gross receipts from sales or other sources during the income year, computed according to the method of accounting used in the computation of its entire net income, which is assignable to the state, and excluding any gross receipts attributable to an international banking facility as defined in section 12-217, but including receipts from sales of tangible property if the property is delivered or shipped to a purchaser within this state, other than a company which qualifies as a Domestic International Sales Corporation (DISC) as defined in Section 992 of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, and as to which a valid election under Subsection (b) of said Section 992 to be treated as a DISC is effective, regardless of the f.o.b. point or other conditions of the sale, receipts from services performed within the state, rentals and royalties from properties situated within the state, royalties from the use of patents or copyrights within the state, interest managed or controlled within the state, net gains from the sale or other disposition of intangible assets managed or controlled within the state, net gains from the sale or other disposition of tangible assets situated within the state and all other receipts earned within the state.

(d) Any motor bus company which is taxable both within and without this state shall apportion its net income derived from carrying of passengers for hire by means of an apportionment fraction, the numerator of which shall represent the total number of miles operated within this state and the denominator of which shall represent the total number of miles operated everywhere, but income derived by motor bus companies from sources other than the carrying of passengers for hire shall be apportioned as herein otherwise provided.

(e) Any motor carrier which transports property for hire and which is taxable both within and without this state shall apportion its net income derived from carrying of property for hire by means of an

apportionment fraction, the numerator of which shall represent the total number of miles operated within this state and the denominator of which shall represent the total number of miles operated everywhere, but income derived by motor carriers from sources other than the carrying of property for hire shall be apportioned as herein otherwise provided.

(f) (1) Each taxpayer that provides management, distribution or administrative services, as defined in this subsection, to or on behalf of a regulated investment company, as defined in Section 851 of the Internal Revenue Code shall apportion its net income derived, directly or indirectly, from providing management, distribution or administrative services to or on behalf of a regulated investment company, including net income received directly or indirectly from trustees, and sponsors or participants of employee benefit plans which have accounts in a regulated investment company, in the manner provided in this subsection. Income derived by such taxpayer from sources other than the providing of management, distribution or administrative services to or on behalf of a regulated investment company shall be apportioned as provided in this chapter.

(2) The numerator of the apportionment fraction shall consist of the sum of the Connecticut receipts, as described in subdivision (3) of this subsection. The denominator of the apportionment fraction shall consist of the total receipts from the sale of management, distribution or administrative services to or on behalf of all the regulated investment companies. For purposes of this subsection, "receipts" means receipts computed according to the method of accounting used by the taxpayer in the computation of net income.

(3) For purposes of this subsection, Connecticut receipts shall be determined by multiplying receipts from the rendering of management, distribution or administrative services to or on behalf of each separate regulated investment company by a fraction (A) the numerator of which shall be the average of (i) the number of shares on the first day of such regulated investment company's taxable year, for

federal income tax purposes, which ends within or at the same time as the taxable year of the taxpayer, that are owned by shareholders of such regulated investment company then domiciled in this state and (ii) the number of shares on the last day of such regulated investment company's taxable year, for federal income tax purposes, which ends within or at the same time as the taxable year of the taxpayer, that are owned by shareholders of such regulated investment company then domiciled in this state; and (B) the denominator of which shall be the average of the number of shares that are owned by shareholders of such regulated investment company on such dates.

(4) (A) For purposes of this subsection, "management services" includes, but is not limited to, the rendering of investment advice directly or indirectly to a regulated investment company, making determinations as to when sales and purchases of securities are to be made on behalf of the regulated investment company, or the selling or purchasing of securities constituting assets of a regulated investment company, and related activities, but only where such activity or activities are performed (i) pursuant to a contract with the regulated investment company entered into pursuant to 15 USC 80a-15(a), as from time to time amended, (ii) for a person that has entered into such contract with the regulated investment company, or (iii) for a person that is affiliated with a person that has entered into such contract with a regulated investment company.

(B) For purposes of this subsection, "distribution services" includes, but is not limited to, the services of advertising, servicing, marketing or selling shares of a regulated investment company, but, in the case of advertising, servicing or marketing shares, only where such service is performed by a person that is, or, in the case of a closed end company, was, either engaged in the service of selling such shares or affiliated with a person that is engaged in the service of selling such shares. In the case of an open end company, such service of selling shares shall be performed pursuant to a contract entered into pursuant to 15 USC 80a-15(b), as from time to time amended.

(C) For purposes of this subsection, "administrative services" includes, but is not limited to, clerical, fund or shareholder accounting, participant record keeping, transfer agency, bookkeeping, data processing, custodial, internal auditing, legal and tax services performed for a regulated investment company but only if the provider of such service or services during the income year in which such service or services are provided also provides, or is affiliated with a person that provides, management or distribution services to such regulated investment company.

(D) For purposes of this subsection, a person is "affiliated" with another person if each person is a member of the same affiliated group, as defined under Section 1504 of the Internal Revenue Code without regard to subsection (b) of said section.

(E) For purposes of this subsection, the domicile of a shareholder shall be presumed to be such shareholder's mailing address as shown in the records of the regulated investment company except that for purposes of this subsection, if the shareholder of record is an insurance company which holds the shares of the regulated investment company as depositor for the benefit of a separate account, then the taxpayer may elect to treat as the shareholders the contract owners or policyholders of the contracts or policies supported by such separate account. An election made under this subparagraph shall apply to all shareholders that are insurance companies and shall be irrevocable for, and applicable for, five successive income years. In any year that such an election is applicable, it shall be presumed that the domicile of a shareholder is the mailing address of the contract owner or policyholder as shown in the records of the insurance company.

(g) (1) Each taxpayer that provides securities brokerage services, as defined in this subsection, shall apportion its net income derived, directly or indirectly, from rendering securities brokerage services in the manner provided in this subsection. Income derived by such taxpayer from sources other than the rendering of securities brokerage services shall be apportioned as provided in this chapter.

(2) The numerator of the apportionment fraction shall consist of the brokerage commissions and total margin interest paid on behalf of brokerage accounts owned by the taxpayer's customers who are domiciled in this state during such taxpayer's income year, computed according to the method of accounting used in the computation of net income. The denominator of the apportionment fraction shall consist of brokerage commissions and total margin interest paid on behalf of brokerage accounts owned by all of the taxpayer's customers, wherever domiciled, during such taxpayer's income year, computed according to the method of accounting used in the computation of net income.

(3) For purposes of this subsection:

(A) "Security brokerage services" means services and activities including all aspects of the purchasing and selling of securities rendered by a broker, as defined in 15 USC 78c(a)(4) and registered under the provisions of 15 USC 78a to 78kk, inclusive, as from time to time amended, to effectuate transactions in securities for the account of others, and a dealer, as defined in 15 USC 78c(a)(5) and registered under the provisions of 15 USC 78a to 78kk, inclusive, as from time to time amended, to buy and sell securities, through a broker or otherwise. Security brokerage services shall not include services rendered by any person buying or selling securities for such person's own account, either individually or in some fiduciary capacity, but not as part of a regular business carried on by such person.

(B) "Securities" means security, as defined in 15 USC 78c(a)(10), as from time to time amended.

(C) "Brokerage commission" means all compensation received for effecting purchases and sales for the account or on order of others, whether in a principal or agency transaction, and whether charged explicitly or implicitly as a fee, commission, spread, markup or otherwise.

(4) For purposes of this subsection, the domicile of a customer shall

be presumed to be such customer's mailing address as shown in the records of the taxpayer.

(h) (1) Any company that is (A) a limited partner in a partnership, other than an investment partnership, that does business, owns or leases property or maintains an office within this state and (B) not otherwise carrying on or doing business in this state shall pay the tax imposed under section 12-214 solely on its distributive share as a partner of the income or loss of such partnership to the extent such income or loss is derived from or connected with sources within this state, except that, if the commissioner determines that the company and the partnership are, in substance, parts of a unitary business engaged in a single business enterprise, the company shall be taxed in accordance with the provisions of subdivision (3) of this subsection and not in accordance with the provisions of this subdivision, provided, in lieu of the payment of tax based solely on its distributive share, such company may elect for any particular income year, on or before the due date or, if applicable the extended due date, of its corporation business tax return for such income year, to apportion its net income within and without the state under the provisions of this chapter.

(2) Any company that is (A) a limited partner (i) in an investment partnership or (ii) in a limited partnership, other than an investment partnership, that does business, owns or leases property or maintains an office within this state and (B) otherwise carrying on or doing business in this state shall apportion its net income, including its distributive share as a partner of such partnership income or loss, within and without the state under the provisions of this chapter, except that the numerator and the denominator of its payroll factor, property factor, and receipts factor shall include its proportionate part, as a partner, of the numerator and the denominator of such partnership's payroll factor, property factor and receipts factor, respectively. For purposes of this section, such partnership shall compute its apportionment fraction and the numerator and the denominator of its payroll factor, property factor and receipts factor, as

if it were a company taxable both within and without this state.

(3) Any company that is a general partner in a partnership that does business, owns or leases property or maintains an office within this state shall, whether or not it is otherwise carrying on or doing business in this state, apportion its net income, including its distributive share as a partner of such partnership income or loss, within and without the state under the provisions of this chapter, except that the numerator and the denominator of its payroll factor, property factor and receipts factor shall include its proportionate part, as a partner, of the numerator and the denominator of such partnership's payroll factor, property factor and receipts factor, respectively. For purposes of this section, such partnership shall compute its apportionment fraction and the numerator and the denominator of its payroll factor, property factor and receipts factor, as if it were a company taxable both within and without this state.

(i) The provisions of this section shall not apply to insurance companies.

(j) (1) Any financial service company as defined in section 12-218b, that has net income derived from credit card activities, as defined in this subsection, shall apportion its net income derived from credit card activities in the manner provided in this subsection. Income derived by such taxpayer from sources other than credit card activities shall be apportioned as provided in this chapter.

(2) The numerator of the apportionment fraction shall consist of the Connecticut receipts, as described in subdivision (3) of this subsection. The denominator of the apportionment fraction shall consist of (A) the total amount of interest and fees or penalties in the nature of interest from credit card receivables, (B) receipts from fees charged to card holders, including, but not limited to, annual fees, irrespective of the billing address of the card holder, (C) net gains from the sale of credit card receivables, irrespective of the billing address of the card holder, and (D) all credit card issuer's reimbursement fees, irrespective of the

billing address of the card holder.

(3) For purposes of this subsection, "Connecticut receipts" shall be determined by adding (A) interest and fees or penalties in the nature of interest from credit card receivables and receipts from fees charged to card holders, including, but not limited to, annual fees, where the billing address of the card holder is in this state and (B) the product of (i) the sum of net gains from the sale of credit card receivables and all credit card issuer's reimbursement fees multiplied by (ii) a fraction, the numerator of which shall be interest and fees or penalties in the nature of interest from credit card receivables and receipts from fees charged to card holders, including, but not limited to, annual fees, where the billing address of the card holder is in this state, and the denominator of which shall be the total amount of interest and fees or penalties in the nature of interest from credit card receivables and receipts from fees charged to card holders, including, but not limited to, annual fees, irrespective of the billing address of the card holder.

(4) For purposes of this subsection:

(A) "Credit card" means a credit, travel, or entertainment card;

(B) "Receipts" means receipts computed according to the method of accounting used by the taxpayer in the computation of net income;

(C) "Credit card issuer's reimbursement fee" means the fee that a taxpayer receives from a merchant's bank because one of the persons to whom the taxpayer or a related person, as defined in section 12-218b, has issued a credit card has charged merchandise or services to the credit card;

(D) "Net income derived from credit card activities" means (i) interest and fees or penalties in the nature of interest from credit card receivables and receipts from fees charged to card holders, including, but not limited to, annual fees, net gains from the sale of credit card receivables, credit card issuer's reimbursement fees, and credit card receivables servicing fees received in connection with credit cards

issued by the taxpayer or a related person, as defined in section 12-218b, less (ii) expenses related to such income, to the extent deductible under chapter 208;

(E) "Billing address" shall be presumed to be the location indicated in the books and records of the taxpayer as the address where any notice, statement or bill relating to a card holder is to be mailed, as of the date of such mailing; and

(F) "Credit card activities" means those activities involving the underwriting and approval of credit card relationships or other business activities generally associated with the conduct of business by an issuer of credit cards from which it derives income.

(5) The Commissioner of Revenue Services may adopt regulations, in accordance with chapter 54, to permit a financial service company that is an owner of a financial asset securitization investment trust, as defined in Section 860H(a) of the Internal Revenue Code, to elect to apportion its share of the net income from credit card activities carried on by such trust, and to provide rules for apportioning such share of net income that are consistent with this subsection.

(k) (1) For income years commencing on or after January 1, 2001, the net income of a taxpayer which is primarily engaged in activities that, in accordance with the North American Industrial Classification System, United States manual, United States Office of Management and Budget, 1997 edition, would be included in Sector 31, 32 or 33, shall be apportioned within and without the state by means of the apportionment fraction described in subdivision (2) of this subsection provided, in the income year commencing on January 1, 2001, each such taxpayer shall not take such apportionment fraction into account for purposes of instalment payments on estimated tax under section 12-242d for calendar quarters ending prior to July 1, 2001, but shall make such payments in accordance with the apportionment fraction applicable to the income year commencing January 1, 2000.

(2) The numerator of the apportionment fraction shall consist of the

taxpayer's gross receipts, as described in subdivision (3) of subsection (c) of this section, which are assignable to the state, as provided in subdivision (3) of subsection (c) of this section. The denominator of the apportionment fraction shall consist of the taxpayer's total gross receipts, as described in subdivision (3) of subsection (c) of this section, whether or not assignable to the state.

(3) Any taxpayer which is described in subdivision (1) of this subsection and seventy-five per cent or more of whose total gross receipts, as described in subdivision (3) of subsection (c) of this section, during the income year are from the sale of tangible personal property directly, or in the case of a subcontractor, indirectly to the United States government may elect, on or before the due date or, if applicable, the extended due date, of its corporation business tax return for the income year, to apportion its net income within and without the state by means of the apportionment fraction described in subsection (c) of this section. The election, if made by the taxpayer, shall be irrevocable for, and applicable for, five successive income years.

(l) (1) For income years commencing on or after October 1, 2001, any broadcaster which is taxable both within and without this state shall apportion its net income derived from the broadcast of video or audio programming, whether through the public airwaves, by cable, by direct or indirect satellite transmission or by any other means of communication, through an over-the-air television or radio network, through a television or radio station or through a cable network or cable television system and, if such broadcaster is a cable network, all net income derived from activities related to or arising out of the foregoing, including, but not limited to, broadcasting, entertainment, publishing, whether electronically or in print, electronic commerce and licensing of intellectual property created in the pursuit of such activities, by means of the apportionment fraction described in subdivision (3) of this subsection, and any eligible production entity which is taxable both within and without this state shall apportion its net income derived from video or audio programming production

services by means of the apportionment fraction described in subdivision (4) of this subsection.

(2) For purposes of this subsection:

(A) "Video or audio programming" means any and all performances, events or productions, including without limitation news, sporting events, plays, stories and other entertainment, literary, commercial, educational or artistic works, telecast or otherwise made available for video or audio exhibition through live transmission or through the use of video tape, disc or any other type of format or medium;

(B) A "subscriber" to a cable television system is an individual residence or other outlet which is the ultimate recipient of the transmission;

(C) "Telecast" or "broadcast" means the transmission of video or audio programming by an electronic or other signal conducted by radiowaves or microwaves, by wires, lines, coaxial cables, wave guides or fiber optics, by satellite transmissions directly or indirectly to viewers or listeners or by any other means of communication;

(D) "Eligible production entity" means a corporation which provides video or audio programming production services and which is affiliated, within the meaning of Sections 1501 to 1504 of the Internal Revenue Code and the regulations promulgated thereunder, with a broadcaster;

(E) "Release" or "in release" means the placing of video or audio programming into service. A video or audio program is placed into service when it is first broadcast to the primary audience for which the program was created. For example, video programming is placed in service when it is first publicly telecast for entertainment, educational, commercial, artistic or other purpose. Each episode of a television or radio series is placed in service when it is first broadcast; and

(F) "Broadcaster" means a corporation that is engaged in the business of broadcasting video or audio programming, whether through the public airwaves, by cable, by direct or indirect satellite transmission or by any other means of communication, through an over-the-air television or radio network, through a television or radio station or through a cable network or cable television system, and that is primarily engaged in activities that, in accordance with the North American Industry Classification System, United States manual, 1997 edition, are included in industry group 5131 or 5132.

(3) (A) Except as provided in subparagraph (B) of this subdivision with respect to the determination of the apportionment fraction for net income derived from the activities referred to in subdivision (1) of subsection (l) of this section, the numerator of the apportionment fraction for a broadcaster shall consist of the broadcaster's gross receipts, as described in subdivision (3) of subsection (c) of this section, which are assignable to the state, as provided in subdivision (3) of subsection (c) of this section. Except as provided in subparagraph (C) of this subdivision with respect to the determination of the apportionment fraction for the net income derived from the activities referred to in subdivision (1) of subsection (l) of this section, the denominator of the apportionment fraction for a broadcaster shall consist of the broadcaster's total gross receipts, as described in subdivision (3) of subsection (c) of this section, whether or not assignable to the state.

(B) The numerator of the apportionment fraction for a broadcaster shall include the gross receipts of the taxpayer from sources within this state determined as follows:

(i) Gross receipts, including without limitation, advertising revenue, affiliate fees and subscriber fees, received by a broadcaster from video or audio programming in release to or by a broadcaster for telecast which is attributed to this state.

(ii) Gross receipts, including without limitation, advertising

revenue, received by an over-the-air television or radio network or a television or radio station from video or audio programming in release to or by such network or station for telecast shall be attributed to this state in the same ratio that the audience for such over-the-air network or station located in this state bears to the total audience for such over-the-air network or station inside and outside of the United States. For purposes of this subparagraph, the audience shall be determined either by reference to the books and records of the taxpayer or by reference to the applicable year's published rating statistics, provided the method used by the taxpayer is consistently used from year to year for such purpose and fairly represents the taxpayer's activity in the state.

(iii) Gross receipts including, without limitation, advertising revenue, affiliate fees and subscriber fees, received by a cable network or a cable television system from video or audio programming in release to or by such cable network or cable television system for telecast and other receipts that are derived from the activities referred to in subdivision (1) of subsection (l) of this section shall be attributed to this state in the same ratio that the subscribers for such cable network or cable television system located in this state bears to the total of such subscribers of such cable network or cable television system inside and outside of the United States. For purpose of this subparagraph, the number of subscribers of a cable network shall be measured by reference to the number of subscribers of cable television systems that are affiliated with such network and that receive video or audio programming of such network. For purposes of this subparagraph, the number of subscribers of a cable television system shall be determined either by reference to the books and records of the taxpayer or by reference to the applicable year's published rating statistics located in published surveys, provided the method used by the taxpayer is consistently used from year to year for such purpose and fairly represents the taxpayer's activities in the state.

(C) The denominator of the apportionment fraction of a broadcaster shall include gross receipts of the broadcaster that are derived from the activities referred to in subdivision (1) of subsection (l) of this section,

whether or not assignable to the state.

(4) (A) Except as provided in subparagraph (B) of this subdivision, with respect to the determination of the apportionment fraction for net income derived from video or audio programming production services, the numerator of the apportionment fraction for an eligible production entity shall consist of the eligible production entity's gross receipts, as described in subdivision (3) of subsection (c) of this section, which are assignable to the state, as provided in subdivision (3) of subsection (c) of this section. Except as provided in subparagraph (C) of this subdivision, with respect to the determination of the apportionment fraction for net income derived from video or audio programming production services, the denominator of the apportionment fraction for an eligible production entity shall consist of the eligible production entity's total gross receipts, as described in subdivision (3) of subsection (c) of this section, whether or not assignable to the state.

(B) The numerator of the apportionment fraction for an eligible production entity shall include gross receipts of the entity that are derived from video or audio programming production services relating to events which occur within this state.

(C) The denominator of the apportionment fraction for an eligible production entity shall include gross receipts of the entity that are derived from video or audio programming production services relating to events which occur within or without this state.

Sec. 26. Section 12-217u of the general statutes is amended by adding subsection (n) as follows:

(NEW) (n) (1) No taxpayer which has received financial assistance from the state under section 29 of this act may claim the credit under subsection (b) of this section. The total amount of credit allowed under subsection (f) of this section to such a taxpayer shall not exceed, in the aggregate, twenty-five million dollars.

(2) Notwithstanding the provisions of subsection (c) of this section, for purposes of any credit allowed under subsection (f) of this section to a taxpayer which has received financial assistance under section 29 of this act, the initial qualified year shall be the income year in which the Commissioner of Economic and Community Development executes an agreement with such financial institution to provide financial assistance pursuant to section 29 of this act.

(3) For purposes of determining the number and specification of qualified employees under subsection (d) of this section, and the number and specification of new employees under section 12-217e, with respect to any taxpayer which has received financial assistance under section 29 of this act, the dates, numbers and specifications shall be the dates, numbers and specifications provided in an agreement executed by the Commissioner of Economic and Community Development with such financial institution to provide financial assistance pursuant to section 29 of this act. In no event shall the definition of qualified employee be more favorable to the employer than the definition provided in this section.

Sec. 27. Subparagraph (b) of subdivision (59) of section 12-81 of the general statutes is repealed and the following is substituted in lieu thereof:

(b) Any service facility, as defined in section 32-9p, acquired, constructed, substantially renovated or expanded on or after July 1, 1996, and for which an eligibility certificate has been issued by the Department of Economic and Community Development, as follows: (i) In the case of an investment of twenty million dollars or more but not more than thirty-nine million dollars in the service facility, to the extent of forty per cent of its valuation for purposes of assessment in each of the five full assessment years following the assessment year in which the acquisition, construction, renovation or expansion of the service facility is completed; (ii) in the case of an investment of more than thirty-nine million dollars but not more than fifty-nine million dollars in the service facility, to the extent of fifty per cent of its

valuation for purposes of assessment in each of the five full assessment years following the assessment year in which the acquisition, construction, renovation or expansion of the service facility is completed; (iii) in the case of an investment of more than fifty-nine million dollars but not more than seventy-nine million dollars in the service facility, to the extent of sixty per cent of its valuation for purposes of assessment in each of the five full assessment years following the assessment year in which the acquisition, construction, renovation or expansion of the service facility is completed; (iv) in the case of an investment of more than seventy-nine million dollars but not more than ninety million dollars in the service facility, to the extent of seventy per cent of its valuation for purposes of assessment in each of the five full assessment years following the assessment year in which the acquisition, construction, renovation or expansion of the service facility is completed; or (v) in the case of an investment of more than ninety million dollars in the service facility, to the extent of eighty per cent of its valuation for purposes of assessment in each of the five full assessment years following the assessment year in which the acquisition, construction, renovation or expansion of the service facility is completed, except that any financial institution, as defined in section 12-217u, having at least four thousand qualified employees, as determined in accordance with an agreement pursuant to subdivision (3) of section 26 of this act, shall be eligible to have the assessment period extended for five additional years upon approval of the commissioner, in accordance with all applicable regulations, provided such full-time employees have not been relocated from another facility in the state operated by the same eligible applicant. In no event shall the definition of qualified employee be more favorable to the employer than the definition provided in section 12-217u.

Sec. 28. Subparagraph (b) of subdivision (60) of section 12-81 of the general statutes is repealed and the following is substituted in lieu thereof:

(b) (1) Machinery and equipment which represents an addition to the assessment or grand list of the municipality in which this

exemption is claimed and is installed in any service facility, as defined in section 32-9p, which facility is or has been constructed, or substantially renovated or expanded on or after July 1, 1996, and for which an eligibility certificate has been issued by the Department of Economic and Community Development, concurrently with and directly attributable to such construction, renovation or expansion, (2) machinery and equipment which represents an addition to the assessment or grand list of the municipality in which this exemption is claimed and is installed, or machinery and equipment existing, in any service facility, as defined in section 32-9p, which facility is or has been acquired on or after July 1, 1996, and for which an eligibility certificate has been issued by the department, and (3) machinery and equipment acquired and installed on or after July 1, 1996, in a service facility that is or has at one time been certified as eligible for the exemption under this subparagraph in accordance with section 32-9r and which continues to be used for service purposes, provided such machinery and equipment is installed in conjunction with an expansion program that satisfies the requirements for a service facility, as defined in section 32-9p, and is contiguous to and represents an increase in square feet of floor space of not less than fifty per cent of the floor space in the certified service facility, as follows: (i) In the case of an investment of twenty million dollars or more but not more than thirty-nine million dollars in the service facility, to the extent of forty per cent of its valuation for purposes of assessment in each of the five full assessment years for which the service facility in which it is installed qualifies for an exemption under subdivision (59) of this section; (ii) in the case of an investment of more than thirty-nine million dollars but not more than fifty-nine million dollars in the service facility, to the extent of fifty per cent of its valuation for purposes of assessment in each of the five full assessment years for which the service facility in which it is installed qualifies for an exemption under subdivision (59) of this section; (iii) in the case of an investment of more than fifty-nine million dollars but not more than seventy-nine million dollars in the service facility, to the extent of sixty per cent of its valuation for purposes of assessment in each of the five full assessment years for

which the service facility in which it is installed qualifies for an exemption under subdivision (59) of this section; (iv) in the case of an investment of more than seventy-nine million dollars but not more than ninety million dollars in the service facility, to the extent of seventy per cent of its valuation for purposes of assessment in each of the five full assessment years for which the service facility in which it is installed qualifies for an exemption under subdivision (59) of this section; or (v) in the case of an investment of more than ninety million dollars in the service facility, to the extent of eighty per cent of its valuation for purposes of assessment in each of the five full assessment years for which the service facility in which it is installed qualifies for an exemption under subdivision (59) of this section, except that any financial institution, as defined in section 12-217u, having at least four thousand qualified employees, as determined in accordance with an agreement pursuant to subdivision (3) of section 26 of this act, shall be eligible to have the assessment period extended for five additional years upon approval of the commissioner, in accordance with all applicable regulations, provided such full-time employees have not been relocated from another facility in the state operated by the same eligible applicant. In no event shall the definition of qualified employee be more favorable to the employer than the definition provided in section 12-217u.

Sec. 29. (NEW) In furtherance of the economic development of the state, the Department of Economic and Community Development may provide financial assistance under sections 32-220 to 32-235, inclusive, of the general statutes to a financial institution, as defined in section 12-217u of the general statutes, as amended by this act, which has not less than two thousand qualified employees, determined in accordance with subsections (d) and (e) of said section 12-217u, at a facility or facilities located in a municipality in this state with a population greater than one hundred thousand. The provisions of section 32-462 of the general statutes shall not apply to such assistance.

Sec. 30. Subsection (b) of section 38a-88a of the general statutes is repealed and the following is substituted in lieu thereof:

(b) [The] On or before July 1, 2000, the commissioner shall register managers of funds created for the purpose of investing in insurance businesses. Any manager registered under this subsection shall have its primary place of business in this state. Each applicant shall submit an application under oath to the commissioner to be registered and shall furnish evidence satisfactory to the commissioner of its financial responsibility, integrity, and professional competence to manage investments. Failure to maintain adequate fiduciary standards shall constitute cause for the commissioner to revoke, after hearing, any registration granted under this section. The fund manager shall make a report on or before the first day of March in each year, under oath, to the Commissioner of Revenue Services specifying the name, address and Social Security number or employer identification number of each investor, the year during which each investment was made by each investor, the amount of each investment and a description of the fund's investment objectives and relative performance.

Sec. 31. Subsection (j) of section 38a-88a of the general statutes is repealed and the following is substituted in lieu thereof:

(j) The tax credit allowed by this section shall only be available for investments in funds that are not open to additional investments or investors beyond the amount subscribed at the formation of the fund. No credits shall be allowed under this section for investments in any fund created on or after July 1, 2000.

Sec. 32. Subsection (h) of section 51-81b of the general statutes is repealed and the following is substituted in lieu thereof:

(h) No person shall be liable for payment of the occupational tax under this section solely by virtue of such person having engaged in the practice of law while acting as an employee of the state, any political subdivision of the state or any probate court.

Sec. 33. Subsection (b) of section 46b-121 of the general statutes is repealed and the following is substituted in lieu thereof:

(b) In juvenile matters, the Superior Court shall have authority to make and enforce such orders directed to parents, including any person who acknowledges before said court paternity of a child born out of wedlock, guardians, custodians or other adult persons owing some legal duty to a child or youth therein, as it deems necessary or appropriate to secure the welfare, protection, proper care and suitable support of a child or youth subject to its jurisdiction or otherwise committed to or in the custody of the Commissioner of Children and Families. In addition, with respect to proceedings concerning delinquent children, the Superior Court shall have authority to make and enforce such orders as it deems necessary or appropriate to punish the child, deter the child from the commission of further delinquent acts, assure that the safety of any other person will not be endangered and provide restitution to any victim. Said court shall also have authority to grant and enforce injunctive relief, temporary or permanent in all proceedings concerning juvenile matters. If any order for the payment of money is issued by said court, including any order assessing costs issued under section 46b-134 or 46b-136, the collection of such money shall be made by said court, except orders for support of children committed to any state agency or department, which orders shall be made payable to and collected by the Department of Administrative Services. Where the court after due diligence is unable to collect such moneys within six months, it shall refer such case to the Department of Administrative Services for collection as a delinquent account. In juvenile matters, the court shall have authority to make and enforce orders directed to persons liable hereunder on petition of said Department of Administrative Services made to said court in the same manner as is provided in section 17b-745, in accordance with the provisions of section 17b-81, 17b-223, subsection (b) of section 17b-179, section 17a-90, 46b-129 or 46b-130, and all of the provisions of section 17b-745 shall be applicable to such proceedings. Any judge hearing a juvenile matter may make any other order in connection therewith within his authority to grant as a judge of the Superior Court and such order shall have the same force and effect as any other order of the Superior Court. In the enforcement of its orders, in connection with

any juvenile matter, the court may issue process for the arrest of any person, compel attendance of witnesses and punish for contempt by a fine not exceeding one hundred dollars or imprisonment not exceeding six months. **[**Following an adjudication by the court, a fee of two hundred dollars shall be assessed by the court against the parents, guardian or custodian of any child or youth whenever the services of the probation staff for juvenile matters is required.**]**

Sec. 34. Subsection (b) of section 51-81d of the general statutes is repealed and the following is substituted in lieu thereof:

(b) The Commissioner of Revenue Services, or the commissioner's designee, shall collect any fee established pursuant to subsection (a) of this section, record such payments with the State Comptroller and deposit such payments promptly with the State Treasurer, who shall credit such payments to the Client Security Fund. The Treasurer shall maintain the Client Security Fund separate and apart from all other moneys, funds and accounts and shall credit any interest earned from the Client Security Fund to the fund. Any interest earned from the fund during the period from its inception to the effective date of this act shall be retroactively credited to the fund.

Sec. 35. (NEW) (a) A tax is imposed on snuff tobacco products held in this state by any person, said tax to be imposed as follows: Forty cents per ounce of snuff and a proportionate tax at the like rate on all fractional parts of an ounce of snuff.

(b) Said tax shall be imposed on the distributor or the unclassified importer at the time the snuff tobacco product is manufactured, purchased, imported, received or acquired in this state.

(c) Said tax shall not be imposed on any snuff tobacco products which (1) are exported from the state, or (2) are not subject to taxation by this state pursuant to any laws of the United States.

(d) For purposes of subsection (a) of this section, the tax on snuff shall be computed on the net weight as listed by the manufacturer.

Sec. 36. Section 12-330a of the general statutes is repealed and the following is substituted in lieu thereof:

As used in this chapter: "Commissioner" means the Commissioner of Revenue Services; "tobacco products" means cigars, cheroots, stogies, periques, granulated, plug cut, crimp cut, ready rubbed and other smoking tobacco, **[**snuff, snuff flour,**]** cavendish, plug and twist tobacco, fine cut and other chewing tobaccos, shorts, refuse scraps, clippings, cuttings and sweepings of tobacco and all other kinds and forms of tobacco, prepared in such manner as to be suitable for chewing or smoking in a pipe or otherwise or for both chewing and smoking, but shall not include any cigarette, as defined in section 12-285; "distributor" means (1) any person in this state engaged in the business of manufacturing tobacco products, (2) any person who purchases tobacco products at wholesale from manufacturers or other distributors for sale, or (3) any person who imports into this state tobacco products, at least seventy-five per cent of which are to be sold; "unclassified importer" means any person, other than a distributor, who imports, receives or acquires tobacco products from outside this state for use or consumption in this state; "sale" or "sell" includes or applies to gifts, exchanges and barter; "wholesale sales price" means, in the case of a manufacturer of tobacco products, the price set for such products or, if no price has been set, the wholesale value of such products, and, in the case of a distributor who is not a manufacturer of tobacco products, the price at which the distributor purchased such products, and, in the case of an unclassified importer of tobacco products, the price at which the unclassified importer purchased such products.

Sec. 37. Section 12-460a of the general statutes, as amended by section 55 of public act 99-173 and section 13 of public act 99-1 of the June special session, is repealed and the following is substituted in lieu thereof:

Notwithstanding the provisions of section 13b-61, the Commissioner of Revenue Services shall deposit into the Conservation

Fund established under section 22a-27h [two] three million dollars of the amount of the funds received by the state from the tax imposed under this chapter attributable to sales of fuel from distributors to any boat yard, public or private marina or other entity renting or leasing slips, dry storage, mooring or other space for marine vessels provided two hundred fifty thousand dollars shall be credited to the boating account and [one] two million fifty thousand dollars shall be credited to the fisheries account. Amounts in the fisheries account shall be allocated as follows: Not less than seventy-five thousand dollars shall be allocated to The University of Connecticut for the Long Island Sound Councils, not less than seventy-five thousand dollars shall be allocated to the Department of Economic and Community Development for an economic impact study of the lobster industry in Long Island Sound and not less than eight hundred fifty thousand dollars shall be allocated to the Department of Environmental Protection for use as an additional expenditure, in excess of any other state or federal funds made available, for enhancement of recreational fishing in accordance with an allocation which shall be submitted, on or before October 1, 2000, to the joint standing committee of the General Assembly having cognizance of matters relating to the environment. No administrative expenses of said department may be paid out of funds in the fisheries account.

Sec. 38. (NEW) (a) As used in this section:

(1) "Commissioner" means the Commissioner of Economic and Community Development.

(2) "Eligible industrial site investment project" means an investment made in real property, or in improvements to real property, located within this state: (A) (i) That has been subject to a "spill", as defined in section 22a-452c of the general statutes, (ii) is an "establishment", as defined in subdivision (3) of section 22a-134 of the general statutes, as amended, or (iii) is a "facility", as defined in 42 USC 9601(9); (B) that, if remediated, renovated or demolished in accordance with applicable law and regulations and the standards of remediation of the

Department of Environmental Protection and used for business purposes, will add significant new economic activity and employment in the municipality in which the investment is to be made, and will generate additional tax revenues to the state; (C) for which the use of the urban and industrial site reinvestment program will be necessary to attract private investment to the project; (D) the business use of which would be economically viable and would generate direct and indirect economic benefits to the state that exceed the amount of the investment during the period for which the tax credits granted pursuant to this act are granted; and (E) that is, in the judgment of the commissioner, consistent with the strategic economic development priorities of the state and the municipality.

(3) "Eligible urban reinvestment project" means an investment: (A) That would add significant new economic activity and new jobs in a new facility in the eligible municipality in which the investment is to be made, and will generate significant additional tax revenues to the state or the municipality; (B) for which the use of the urban and industrial site reinvestment program will be necessary to attract private investment to an eligible municipality; (C) that is economically viable; (D) for which the direct and indirect economic benefits to the state outweigh the costs of the investment; and (E) that is, in the judgment of the commissioner, consistent with the strategic economic development priorities of the state and the municipality.

(4) "Related person" means: (A) A corporation, limited liability company, partnership, association or trust controlled by the taxpayer; (B) an individual, corporation, limited liability company, partnership, association or trust that is in control of the taxpayer; (C) a corporation, limited liability company, partnership, association or trust controlled by an individual, corporation, limited liability company, partnership, association or trust that is in control of the taxpayer; or (D) a member of the same controlled group as the taxpayer. For purposes of this section, "control", with respect to a corporation, means ownership, directly or indirectly, of stock possessing fifty per cent or more of the total combined voting power of all classes of the stock of such

corporation entitled to vote. "Control", with respect to a trust, means ownership, directly or indirectly, of fifty per cent or more of the beneficial interest in the principal or income of such trust. The ownership of stock in a corporation, of a capital or profits interest in a partnership or association or of a beneficial interest in a trust shall be determined in accordance with the rules for constructive ownership of stock provided in Section 267(c) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, other than paragraph (3) of such section.

(5) "Investment" means all amounts invested in a project, whether directly or through a fund, directly or indirectly, on behalf of a taxpayer, including, but not limited to, (A) direct investments made by the taxpayer, and (B) loans made to the fund for the benefit of the taxpayer which loans are guaranteed by a taxpayer.

(6) "Income year" means (A) with respect to entities subject to taxation under chapters 207 to 212a, of the general statutes, the income year as determined under each of said chapters, as the case may be.

(7) "Taxpayer" means any person, as defined in section 12-1 of the general statutes, whether or not subject to any taxes levied by this state.

(8) "Fund manager" means a fund manager registered in accordance with subsection (d) of this section.

(9) "New job" means a job that did not exist in the business of a subject business in this state prior to the subject business' application to the commissioner for an eligibility certificate under this section for a new facility and that is filled by a new employee, but does not mean a job created when an employee is shifted from an existing location of the subject business in this state to a new facility.

(10) "New employee" means a person hired by a subject business to fill a position for a new job or a person shifted from an existing

location of the subject business outside this state to a new facility in this state, provided (A) in no case shall the total number of new employees allowed for purposes of this credit exceed the total increase in the taxpayer's employment in this state, which increase shall be the difference between (i) the number of employees employed by the subject business in this state at the time of application for an eligibility certificate to the commissioner plus the number of new employees who would be eligible for inclusion under the credit allowed under this section without regard to this calculation, and (ii) the highest number of employees employed by the subject business in this state in the year preceding the subject business' application for an eligibility certificate to the commissioner, and (B) a person shall be deemed to be a "new employee" only if such person's duties in connection with the operation of the facility are on a regular, full-time, or equivalent thereof, and permanent basis.

(11) "New facility" means a facility which (A) is acquired by, leased to, or constructed by, a subject business on or after the date of the subject business' application to the commissioner for an eligibility certificate under this section, unless, upon application of the subject business and upon good and sufficient cause shown, the commissioner waives the requirement that such activity take place after the application, and (B) was not in service or use during the one-year period immediately prior to the date of the subject business' application to the commissioner for an eligibility certificate under this section, unless upon application of the subject business and upon good and sufficient cause shown, the commissioner consents to waiving the one-year period.

(12) "Eligible municipality" means (A) a municipality with an area designated as an enterprise zone pursuant to section 32-70 of the general statutes, (B) a distressed municipality, as defined in subsection (b) of section 32-9p of the general statutes, or (C) a municipality that has a population in excess of one hundred thousand.

(13) "Eligible project" means an eligible urban reinvestment project

or an eligible industrial site investment project or both.

(14) "Approved investment" means an investment approved by the commissioner under subsection (f) of this section.

(15) "Recapture amount" means the amount by which the approved investment exceeds the amount of state revenue generated by the approved investment.

(16) "Pro rata share" means the percentage the amount invested by an individual investor in an approved investment bears to the total amount of the approved investment actually invested in the project, or in the case of a taxpayer to whom credits are transferred under this section, the percentage of the amount of credits transferred bears to the total amount of the approved investment actually invested in the project.

(b) There is established an urban and industrial site reinvestment program under which taxpayers who invest in eligible urban reinvestment projects or eligible industrial site investment projects may be allowed a credit against the tax imposed under chapter 207 to 212a, inclusive, the general statutes or section 38a-743 of the general statutes, or a combination of said taxes, in an amount equal to the percentage of their investment determined in accordance with subsection (i) of this section.

(c) No project shall be deemed an eligible project unless such project shall, in the judgment of the commissioner, be of sufficient size, by itself or in conjunction with related new investments, to generate a substantial return to the state economy.

(d) (1) The commissioner may register managers of funds created for the purpose of investing in eligible urban reinvestment projects and eligible industrial site investment projects. Any manager registered under this subsection shall have its primary place of business in this state. Each applicant shall submit an application under oath to the commissioner to be registered and shall furnish evidence satisfactory

to the commissioner of its financial responsibility, integrity, professional competence and experience in managing investment funds. Failure to maintain adequate fiduciary standards with respect to investments made under this section shall constitute cause for the commissioner to revoke, after hearing, any registration granted under this section or section 38a-88a of the general statutes. The fund manager shall make a report on or before the first day of March in each year, under oath, to the Commissioner of Economic and Community Development and the Commissioner of Revenue Services specifying the name, address and Social Security number or employer identification number of each investor, the year during which each investment was made by each investor, the amount of each investment, a description of the fund's investment objectives and relative performance and a description, including amounts, of all fees received by such manager in relation to each such fund.

(2) Any manager of funds registered on or before the effective date of this section pursuant to section 38a-88a of the general statutes shall be deemed registered for all purposes under the provisions of this section upon submission, in writing, to the commissioner of such manager's intention to act as a manager of funds under this section. The commissioner may request from any such manager such information as the commissioner may require relating to such manager's financial responsibility, integrity, professional competence and experience in managing investment funds.

(e) Any taxpayer or fund manager wishing to make an investment under the provisions of this section shall apply to the commissioner in accordance with the provisions of this section. The application shall contain sufficient information to establish that the investment is an eligible industrial site investment project or an urban reinvestment project, as appropriate, and information concerning the type of investment proposed to be made, its location, the number of jobs to be created or retained, physical infrastructure that might be created or preserved, feasibility studies or business plans for the investment, projected revenue the state might derive as a result of the investment

and other information necessary to demonstrate the financial viability of the investment and to demonstrate that the investment will provide net benefits to the economy of, and employment for citizens of, the municipality and the state. In the case of an eligible industrial site investment project, how such project will meet the standards of remediation of the Department of Environmental Protection The commissioner shall impose a fee for such application as the commissioner deems appropriate.

(f) (1) The commissioner shall determine whether the proposed investment is an eligible urban reinvestment project or an eligible industrial site investment project, whether the investment is economically viable only with use of the urban and industrial site reinvestment program, the effects of the project on the municipality where the investment will be made, and whether the project would provide a net benefit to economic development and employment opportunities in the state and whether the project will conform to the state plan of conservation and development. The commissioner may require the taxpayer to submit such additional information as may be necessary to evaluate the application.

(2) The commissioner shall prepare a revenue impact assessment that estimates the state and local revenue that would be generated as a result of the investment. The commissioner shall prepare an economic feasibility study relative to such investment. The commissioner may retain any such persons as the commissioner deems appropriate to conduct such revenue impact assessment or economic feasibility study.

(g) (1) The commissioner, upon consideration of the application, the revenue impact assessment and any additional information that the commissioner requires concerning a proposed investment, may approve an investment if the commissioner concludes that the investment is an eligible urban reinvestment project or an eligible industrial site investment project. If the commissioner rejects an application, the commissioner shall specifically identify the defects in the application and specifically explain the reasons for the rejection.

The commissioner shall render a decision on an application not later than ninety days from its receipt. The amount of the investment so approved shall not exceed the amount of state revenue that will be generated according to the revenue impact assessment prepared under this subsection.

(2) The approval of an investment by the commissioner may be combined with the exercise of any of the commissioner's other powers, including, but not limited to, the provision of other forms of financial assistance.

(3) The commissioner shall require the applicant to reimburse the commissioner for all or any part of the cost of any revenue impact assessment or economic feasibility study used in reviewing the application.

(h) Upon approving an investment, the commissioner shall issue a certificate of eligibility certifying that the applicant has complied with the provisions of this section.

(i) (1) There shall be allowed as a credit against the tax imposed under chapters 207 to 212a, inclusive, of the general statutes or section 38a-743 of the general statutes an amount equal to the following percentage of the moneys of the taxpayer invested in an eligible urban investment or eligible industrial site investment approved by the commissioner with respect to the following income years of the taxpayer: (A) With respect to the income year in which the investment in the eligible urban reinvestment project or eligible industrial site investment project was made and the two next succeeding income years, zero per cent; (B) with respect to the third full income year succeeding the year in which the investment in the eligible urban reinvestment project or eligible industrial site investment project was made and the three next succeeding income years, ten per cent; (C) with respect to the seventh full income year succeeding the year in which the investment in the eligible urban reinvestment project or eligible industrial site investment project was made and the next two

succeeding years, twenty per cent. The sum of all tax credits granted pursuant to the provisions of this section shall not exceed one hundred million dollars with respect to a single eligible urban reinvestment project or a single eligible industrial site investment project approved by the commissioner. The sum of all tax credits granted pursuant to the provisions of this section shall not exceed five hundred million dollars.

(2) Notwithstanding the provisions of subdivision (1) of this subsection, any applicant may, at the time of application, apply to the commissioner for a credit that exceeds the limitations established by this subsection. The commissioner shall evaluate the benefits of such application and make recommendations to the General Assembly relating to changes in the general statutes which would be necessary to effect such application if the commissioner determines that the proposal would be of economic benefit to the state.

(j) The credits allowed by this section may be claimed by a taxpayer who has made an investment (1) directly only if such investment has a total asset value of not less than twenty million dollars; or (2) through a fund managed by a fund manager registered under this section only if such fund: (A) Has a total asset value of not less than sixty million dollars for the income year for which the initial credit is taken; and (B) has not less than three investors who are not related persons with respect to each other or to any person in which any investment is made other than through the fund at the date the investment is made.

(k) Each taxpayer claiming the credit allowed under this section shall submit to the Commissioner of Revenue Services a copy of the eligibility certificate issued under subsection (h) of this section with its tax return for each taxable year for which a credit is claimed.

(l) The tax credit allowed by this section, when made through a fund, shall only be available for investments in funds that are not open to additional investments or investors beyond the amount subscribed at the formation of the fund.

(m) (1) The Commissioner of Revenue Services may treat one or more corporations that are properly included in a combined corporation business tax return under section 12-223a of the general statutes as one taxpayer in determining whether the appropriate requirements under this section are met. Where corporations are treated as one taxpayer for purposes of this subsection, then the credit shall be allowed only against the amount of the combined tax for all corporations properly included in a combined return that, under the provisions of subdivision (2) of this subsection, is attributable to the corporations treated as one taxpayer.

(2) The amount of the combined tax for all corporations properly included in a combined corporation business tax return that is attributable to the corporations that are treated as one taxpayer under the provisions of this subsection shall be in the same ratio to such combined tax that the net income apportioned to this state of each corporation treated as one taxpayer bears to the net income apportioned to this state, in the aggregate, of all corporations included in such combined return. Solely for the purposes of computing such ratio, any net loss apportioned to this state by a corporation treated as one taxpayer or by a corporation included in such combined return shall be disregarded.

(n) Any taxpayer allowed a credit under this section may assign such credit to another taxpayer, provided such other taxpayer may claim such credit only with respect to a taxable year for which the assigning taxpayer would have been eligible to claim such credit and such other taxpayer may not further assign such credit. The taxpayer allowed such credit or the fund manager shall file with the Commissioner of Revenue Services information requested by the commissioner regarding such assignments, including, but not limited to, the current holders of credits as of the end of the preceding calendar year.

(o) No taxpayer shall be eligible for a credit under (1) this section, and (2) section 12-217e or 38a-88a of the general statutes, for the same

investment. No two taxpayers shall be eligible for any tax credit with respect to the same investment, employee or facility.

(p) Any credit not used in the income year for which it was allowed may be carried forward for the five immediately succeeding income years until the full credit has been allowed.

(q) Any tax credits approved under this section that would constitute in excess of twenty million dollars in total for a single investment shall be submitted by the Commissioner of Economic and Community Development to the joint standing committee of the General Assembly having cognizance of matters relating to finance prior to the issuance of a certificate of eligibility for such investment. Said commissioner shall make a recommendation to the president pro tempore of the Senate and to the speaker of the House of Representatives regarding approval or disapproval of such project not later than thirty days after receiving such submission. If such submission is not disapproved by the House of Representatives or the Senate, or both, within sixty days of the submission date, the commissioner may issue such certificate.

(r) Not later than July first in each year that credits allowed by this section are claimed by a taxpayer with respect to an approved investment, the commissioner may retain such persons as said commissioner may deem appropriate to conduct a study to estimate the state revenue that is being and will be generated by such investment. Such economic impact study shall determine whether the state revenue actually generated by such investment is equal to the estimate of state revenue made at the time such investment was approved. If the sum of all state revenue actually generated by such investment is less than the amount of the total sum of tax credits claimed on the date of such analysis, the commissioner may determine from the person retained pursuant to this subsection the applicable recapture amount and may revoke the certificate of eligibility issued under subsection (h) of this section. The commissioner may require the taxpayer or the fund manager that made such approved investment to

reimburse the commissioner for all or any part of the cost of any economic impact study performed under this subsection.

(s) (1) Any taxpayer which has claimed credits allowed by this section related to an investment concerning which the commissioner has revoked the certificate of eligibility issued under subsection (h) of this section, shall be required to recapture such taxpayer's pro rata share of the recapture amount as determined under the provisions of subdivision (2) of this subsection and no subsequent credit shall be allowed unless such certificate of eligibility is reinstated under the provisions of subdivision (3) of this subsection.

(2) If the taxpayer is required under the provisions of subdivision (1) of this subsection to recapture its pro rata share of the recapture amount during (A) the first year such credit was claimed, then ninety per cent of such share shall be recaptured on the tax return required to be filed for such year, (B) the second of such years, then sixty-five per cent of such share shall be recaptured on the tax return required to be filed for such year, (C) the third of such years, then fifty per cent of such share shall be recaptured on the tax return required to be filed for such year, (D) the fourth of such years, then thirty per cent of such share shall be recaptured on the tax return required to be filed for such year, (E) the fifth of such years, then twenty per cent of such share shall be recaptured on the tax return required to be filed for such year, and (F) the sixth or subsequent of such years, then ten per cent of such share shall be recaptured on the tax return required to be filed for such year. The Commissioner of Revenue Services may recapture such share from the taxpayer who has claimed such credits. If the commissioner is unable to recapture all or part of such share from such taxpayer, the commissioner may seek to recapture such share from any taxpayer who has assigned credits in an amount at least equal to such share to another taxpayer. If the commissioner is unable to recapture all or part of such share from any such taxpayer, the commissioner may recapture such share from any fund through which the investment was made.

(3) If the commissioner has revoked the certificate of eligibility issued under subsection (h) of this section, such certificate of eligibility shall be reinstated by the commissioner if, upon a request made by the taxpayer or fund manager who made such approved investment, an economic impact study conducted pursuant to subsection (r) of this section shall determine that the sum of all state revenue actually generated by such investment is greater than the amount of the total sum of tax credits claimed on the date of such analysis, provided no such request shall be made pursuant to this subsection during the calendar year in which such certificate was revoked. For the purpose of determining whether such certificate shall be reinstated, the commissioner shall, upon receipt of a request made under this subsection, obtain one such economic impact study per calendar year and may obtain additional such economic impact studies as the commissioner deems appropriate.

Sec. 39. (NEW) (a) If the real property of an "eligible industrial site investment project" or an "eligible urban reinvestment project", each as defined in section 38 of this act, which has received written approval from the Commissioner of Economic and Community Development for a credit under section 38 of this act, does not otherwise qualify for abatement or exemption of property taxes under any other provision of the general statutes, the municipality in which such project is located may, for a period of five assessment years following the certification of the project under section 38 of this act, abate fifty per cent of the portion of the property tax due that is attributable to the increased value of such property as a result of the approved remediation, construction or other development under section 38 of this act. The abatement shall cease upon the sale or transfer of the property for any other purpose unless the municipality consents to its continuation. The municipality may also establish a recapture provision in the event of sale, provided such recapture shall not exceed the original amount of taxes abated.

(b) A municipality shall notify the Commissioner of Economic and Community Development and the Secretary of the Office of Policy and

Management not later than thirty days after granting any abatement of taxes under subsection (a) of this section. Such notice shall provide the owner or purchaser's name, as the case may be, and the address of the property.

Sec. 40. Subsection (c) of section 26 of public act 99-2 of the June special session is repealed and the following is substituted in lieu thereof:

(c) For the fiscal **[**years**]** year ending **[**June 30, 2000, and**]** June 30, 2001, **[**annual**]** disbursements from the Tobacco Settlement Fund shall be made as follows: (1) First to the General Fund in the amount identified as "Transfer from Tobacco Settlement Fund" in the General Fund revenue schedule adopted by the General Assembly; **[**and**]** (2) second to the Department of Mental Health and Addition Services for a grant to the Regional Action Councils in the amount of five hundred thousand dollars; and (3) third to the Tobacco and Health Trust Fund in an amount equal to **[**twenty**]** nineteen million five hundred thousand dollars.

Sec. 41. (a) The Commissioner of Revenue Services shall waive the interest payable under section 12-722 of the general statutes or subsection (a) of section 12-735 of the general statutes, or any penalty payable under subsection (a) of said section 12-735 by any individual described in subsection (b) or (c) of this section to the extent described in said subsection (b) or (c).

(b) If any individual (1) has filed an income tax return under subsection (a) of section 12-719 of the general statutes for such individual's taxable year commencing on or after January 1, 1999, and prior to January 1, 2000, and claimed a credit under section 12-704 of the general statutes on such income tax return on account of the New York City nonresident earnings tax imposed on and paid by such individual, or establishes to the satisfaction of the commissioner that the individual took such nonresident gross earnings tax into account in making, or failing to make, estimated tax payments under said section

12-722 for said taxable year, (2) as a result of the April 4, 2000, decision of the New York Court of Appeals, in the case entitled City of New York v. State of New York, holding such nonresident earnings tax to be unconstitutional, has been refunded such nonresident earnings tax, and (3) files an amended income tax return for such taxable year pursuant to said section 12-704, to report that such nonresident gross earnings tax has been refunded to such individual, and the amount of income tax under chapter 229 of the general statutes that is shown on such amended return for such taxable year, after taking into account the reduction in the credit allowable under said section 12-704, exceeds the income tax under said chapter 229 that has been paid by such individual for such taxable year, then any interest or penalty payable by such individual that is solely attributable to such nonresident gross earnings tax being held to be unconstitutional shall be waived by the commissioner.

(c) If any individual (1) has been granted an extension of time to file an income tax return pursuant to section 12-723 of the general statutes for such individual's taxable year commencing on or after January 1, 1999, and prior to January 1, 2000, and establishes to the satisfaction of the commissioner that the individual took the New York City nonresident earnings tax into account in making a payment of income tax pursuant to said section 12-723 for such taxable year on or before the original due date of such return, or in making, or failing to make, estimated tax payments under said section 12-722 for such taxable year, (2) as a result of the April 4, 2000, decision of the New York Court of Appeals, in the case entitled City of New York v. State of New York, holding such nonresident earnings tax to be unconstitutional, has been refunded such nonresident earnings tax, and (3) files an income tax return under said subsection (a) of section 12-719 for such taxable year, and the amount of income tax that is shown on such return for such taxable year exceeds the amount of income tax that was paid for such taxable year by such individual on or before the original due date of such return, then any interest or penalty payable by such individual that is solely attributable to such nonresident gross earnings tax being

held to be unconstitutional shall be waived by the commissioner.

Sec. 42. This act shall take effect from its passage, except that sections 2, 3, 6, 10 to 18, inclusive, 21, 22 and 33 to 40, inclusive, shall take effect July 1, 2000, and sections 2, 3, 6, 10, 12, 15, 21, 22, 35 and 36 shall be applicable to sales occurring on and after July 1, 2000, and section 16 shall be applicable to charges occurring on and after July 1, 2000, and sections 19, 20, 23 and 24 shall be applicable to income years commencing on and after January 1, 2000, and sections 1, 4 and 5 shall take effect July 1, 2001, and shall be applicable to sales occurring on and after July 1, 2001, and section 32 shall be applicable to attorneys practicing in this state on and after January 1, 2000, and section 41 shall be applicable to taxable years commencing on and after January 1, 1999."